

Agenda – Public Accounts and Public Administration Committee

Meeting Venue:	For further information contact:
Committee Room 5	Fay Bowen
Meeting date: 19 October 2022	Committee Clerk
Meeting time: 09.00	0300 200 6565
	SeneddPAPA@senedd.wales

This meeting will be broadcast live on www.senedd.tv

(Private pre-meeting)

(09:00 – 09:15)

1 Introductions, apologies and substitutions

(09:15)

2 Papers to note

(09:15 – 09:30)

2.1 Letter from the Welsh Government in response to the Committee's report on Care Home Commissioning

(Pages 1 – 10)

2.2 Letters in relation to the Auditor General for Wales's examination of the setting of Welsh Government's well-being objectives

(Pages 11 – 26)

3 Scrutiny of Accounts – Welsh Government 2020–21

(09:30 – 11:30)

(Pages 27 – 88)

Dr Andrew Goodall – Permanent Secretary, Welsh Government

Peter Kennedy – Human Resources Director

Gawain Evans – Director of Finance, Welsh Government

Tim Moss – Chief Operating Officer, Welsh Government

Duncan Hamer – Director of Operations, Business & Regions, Welsh Government



4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(11:30)

The remainder of the meeting and Item 3 of the meeting on 26 October.

5 Scrutiny of Accounts: Consideration of the evidence received

(11:30 – 11:50)

6 Auditor General Report – Welsh Government workforce planning and management

(11:50 – 12:00)

(Pages 89 – 139)

7 Scoping paper – Public Appointments

(12:00 – 12:15)

(Pages 140 – 145)

8 Town Centre Regeneration: Feedback on visits

(12:15 – 12:30)

Response to the Report of the Senedd Public Accounts and Public Administration Committee Report on Care Home Commissioning**Provided by: Julie Morgan AS, Deputy Minister for Social Services**

The Welsh Government welcomes the findings of the Committee's report and offers the following response to the thirteen recommendations contained within it.

Recommendation – 1. We note the ongoing work to evaluate the implementation of the Social Services and Well-being Act 2014 but recommend the Welsh Government provides assurances as to how it is working with Local Authorities, Health Boards and other stakeholders to review compliance with the care home commissioning provisions set out in the Social Services and Well-being Act 2014.

Accept

The core purpose of the Social Services and Wellbeing Act evaluation studies is to understand the experiences and expectations of the people using services. The function of regulatory bodies, in this case CIW and HIW, is to assess compliance with the statutory framework as it applies to the social care sector, including the commissioning of provision. This is supplemented by a national performance improvement framework and local authority reporting including annual reports from statutory social services directors.

We will ensure this compliance and performance framework evolves through our Rebalancing Care and Support reforms which will be the basis of public consultation in 2023, and in the context of agreed recommendations from the Expert Group on the National Care Service.

Additionally Audit Wales reports and other independent reviews (KPMG review 2019) of joint commissioning and pooling of budgets between health boards and local authorities for the purpose of commissioning placements for older people have indicated limited impact and effectiveness of current arrangements. Through the rebalancing care and support programme of work to develop a national commissioning framework and strengthen regional working the existing duties and expectations will be reviewed and clarified. Further to this the rebalancing programme of work is looking to develop performance monitoring and joint inspection arrangements for integrated working.

Recommendation – 2. The Committee recommends that the Welsh Government considers the voice of service users as part of their policy reform in this area.

The Committee would welcome further information from the Welsh Government about how they've consulted with service users and their families, as part of the work of the expert group on social care.

Accept

The independent Expert Group to establish a National Care Service, free at the point of need, was established and began meeting in February 2022.

The Group is independent from government and consists of individuals from a range of diverse backgrounds who offer perspectives of citizens, service management, public administration, workforce representation and academia. The Expert Group also aims to represent the views of Black, Asian, and Minority Ethnic people, and to enhance to use the Welsh Language in social care.

The Terms of Reference for the Expert Group, set by Ministers and the Plaid Cymru Designated Member, did not include expectations about extensive public consultation. This is because once the Expert Group report is considered by Ministers and the Designated Member, there will be an extensive period of public consultation, including with service users and their families, as part of the process to develop an Implementation plan.

Recommendation – 3. The Committee recommends that the Welsh Government's Task and Finish Groups developing the new National Framework for social care should consult service users as part of its work. The Welsh Government should provide an update about how this will be achieved, as part of its consultation in Spring 2023.

Accept

The Rebalancing Care and Support Programme Partners - composing of the membership of the Technical Group for the National Framework and membership of Task and Finish Groups to Strengthen regional partnership arrangements – include a range of voices from across the social care and healthcare sector. The members have committed to accurately represent the views, in relation to care and support, of their nominating organisation and/or region and to communicate updates from Group discussions to their own networks to feedback appropriately.

The task and finish group on citizen voice and engagement is reviewing the effectiveness of regional partnership mechanisms in including the views of service users, carers and other citizens. Citizen representatives have been engaged directly in the work of this task and finish group.

The whole programme will undertake extensive public consultation commencing in Spring 2023, and in the interim we are communicating using our programme newsletter.

Recommendation – 4. We recommend the Welsh Government give consideration to encouraging and supporting the role of volunteers in care homes but within

the strict boundaries of supporting quality of life such as developing shared interests and activities. Volunteers must not be used to provide professional care services.

Accept

In 2021 the Welsh Government funded a small pilot project to recruit volunteers to support safe visiting between residents and relatives during the pandemic. This supported care homes by alleviating pressures on staff to undertake this specific role.

We are now building on the approach to recruiting, training and inducting volunteers that was developed during the initial project. Our new project aims to broaden the role, reach, skills, and number of volunteers across care homes in Wales, based on feedback from the pilot project, whilst ensuring volunteers' roles are clear and appropriate. The target is to recruit 80 new volunteers across 20 care homes in Wales in four geographical areas (Gwynedd, Rhondda Cynon Taf, Gwent and Pembrokeshire) with the support of a local organisation in each area. The aim is to work with 5 care homes in each area. We have provided Age Cymru with £63,000 of grant funding to undertake this work.

As part of this project, which runs from July 2022 to March 2023, volunteers will be trained to engage with care home residents using the 'appreciative enquiry' approach; this works with people's values, respecting hidden stories of experience and personal narratives, demonstrating a sensitivity to feelings. Training volunteers in this way will support residents to give feedback to the care home on the issues that matter to them. Volunteers will also be trained to support activities co-ordinators to reinvigorate care homes during this transitional period out of the pandemic towards a more normal and more vibrant way of life.

Recommendation – 5. The Committee recommends that the Welsh Government's considers, as part of the development of a National Care Service, what more can be done to review the salaries and terms and conditions of care workers, to ensure parity with NHS staff and to be competitive with other industries, such as the hospitality industry. Without parity of pay and conditions, the sector will continue to face problems recruiting and retaining staff.

Accept

Introducing the Real Living Wage (RLW) for social care workers has been a priority for Welsh Government and a key commitment in the programme for government. The sector urgently needed support to address recruitment and retention issues, exacerbated by the extreme challenges presented during the Covid-19 pandemic. £43m of funding was made available to Local Authorities and Health Boards for 2022/23 financial year, to deliver the RLW commitment.

In 2020, the Welsh Government convened the Social Care Fair Work Forum, a social partnership group in which trade unions, employers and Government come together to look at how the working conditions of social care workers can be improved in Wales and find viable medium and long-term options to address the recruitment concerns,

improve workforce terms and conditions and to find ways to improve and build a sustainable sector for the future. The Forum is committed to working together to influence national priorities and policy regarding fair work in the social care sector in Wales and to work ambitiously and pragmatically to achieve practical and implementable change.

It has prioritised certain issues with regard to fair work in the sector:

- The payment of Real Living wage to all social care staff as a minimum;
- Developing a pay and progression model for social care staff;
- Determining how a model of collective bargaining could operate in the sector;
- Examine the role and experiences of Personal Assistants in social care and their access to fair work;
- Supporting safe, healthy and inclusive working environments in social care;
- Understand the impact on workers of non-guaranteed hours and the extent to which workers have knowledge of, and are able to access their rights.

In the short term the Social Care Fair Work Forum has focussed its efforts on improvements to pay and has provided advice on how we can take forward the Real Living wage, it is now focusing on its wider priorities. These include tackling low pay in the commissioned independent sector through looking at pay structures and developing a model that could be applied across Wales. An overarching progression structure for the sector is currently being designed for consultation in early 2023. This model was developed with input from HR experts from across the sector and trade unions and is based around the existing qualification bands within social care, registration levels for the workforce and existing competency frameworks.

Recommendation – 6. We endorse Recommendation 14 of the recent report of the Health and Social Care Committee in relation to the Welsh Governments *[sic]* which calls upon the Welsh Government to undertake a robust evaluation of the WeCare.Wales recruitment campaign.

Accept

We will work with Social Care Wales to ensure robust evaluation of the WeCare.Wales campaign through a range of evaluation activities.

WeCare.Wales is made up of a series of focussed campaigns managed by Social Care Wales addressing key issues and challenges facing the sector. This includes facilitated training through the Introduction to Social Care scheme and the website including a jobs portal.

As the WeCare.Wales campaign is managed by Social Care Wales, it is Social Care Wales that is responsible for evaluation of this campaign. Welsh Government contribute funding towards WeCare.Wales, and we consider it appropriate that Social Care Wales has the responsibility for evaluating the impact of its work. There are

existing mechanisms in place for Welsh Government to oversee the work of Social Care Wales and how it is achieving against its strategic outcomes.

Social Care Wales is commissioning detailed research to better understand care employer methods of recruitment and barriers encountered. The research will also understand employers' involvement and awareness of WeCare.Wales and how this may have impacted on their recruitment and will be completed by April 2023. Social Care Wales is also running a public perception survey which will build on surveys carried out in 2018 and 2020 and provide trend data on public opinion and views of the social care, early years and childcare sectors. The second perceptions survey carried out in 2020 showed public attitudes about the value of the sector and its workforce had improved. This third run of the public perceptions survey is due for completion early 2023.

Recommendation – 7. The Committee recommends that the Welsh Government works with the industry and other stakeholders to attract more volunteers to the care home sector to provide additional quality of life services, but not to replace professional care.

Accept

We are working with a number of key stakeholders as part of our grant-funded volunteer project to broaden the role, reach, skills, and number of volunteers across care homes in Wales. These include Age Cymru, the WCVA, Care Forum Wales, Social Care Wales and Care Inspectorate Wales. The inaugural meeting of the project stakeholder group will be held in October.

Recommendation – 8. The Welsh Government needs to mandate a more proactive approach to sharing information across the care home sector, particularly information on service user experience and satisfaction, linked with the seven well-being goals for Wales. This mandatory requirement to share information should be implemented on a national level, to ensure providers, service users, the Welsh Government and other have access to consistent and relevant information. The Welsh Government should work with providers to proactively seek consent from service users and their families for the sharing of information.

Reject

We agree fully that citizen experiences must be the basis and impetus for improvement in the provision of social care services. This citizen-centred perspective is central to the Social Services and Wellbeing Act. Therefore we are seeking to develop an environment where stronger national data sets are a basis for learning and drive service improvement. A range of measures are already in place to this end.

For local authorities we have set out in a Code of Practice that local authorities should collect service user experiences and outcomes, and use that information to drive improvement, as part of the Performance and Improvement Framework. Evidence of

that research they have done this must be provided in the Directors of Social Services Annual Reports. Care Inspectorate Wales also puts the views of care users at the heart of its own work, and the conclusions of its inspections are published.

However, we are not at this time seeking to mandate the sharing of information about individuals' experiences, as we do not view the high cost of implementing such an approach across many hundreds of providers would create a proportionate benefit in terms of data development over and above the measures we have already taken and have in hand.

Recommendation – 9. The Code of Practice on inspection flowing from the requirements of the Regulation and Inspection of Social Care (Wales) Act 2016 requires inspectors to seek service user voices in all inspections. The Committee seeks assurances and evidence that the provisions are now being implemented and monitored in full.

Accept

People who are in receipt of care and support are the primary focus of every inspection by Care Inspectorate Wales (CIW). CIW has undertaken 705 inspections of 614 adult care homes between 1 October 2021 and 31 August 2022 and spent 9,181 hours on site at those care homes. This provides the opportunity to always talk to people who live in the care homes and their families and friends when they are present during our visit.

Where people are unable to talk with CIW, for example if they are living with dementia, an evidence-based tool called Short Observation Framework for Inspection (SOFI) is used which helps us understand people's experience of living in the care home. CIW also considers how well people have been involved in the development of their personal plans and look for evidence whether people have a voice in the running of their home in accordance with the requirement of the regulations. Where CIW finds this is not evidenced, we would highlight this as an area for improvement and check this is actioned at the next inspection.

In addition, CIW have a short feedback survey which can be completed during an inspection or at any other time as it is available online. Between 1 October 2021 and 31 August 2022, CIW received 982 feedback surveys about care homes in Wales including 672 from staff, 98 from people living in care homes and 182 from their representatives and 30 from other health and social care professionals. CIW also reflect the views of people in our inspection reports as appropriate. Here are some extracts from recent inspection reports:

- “The health and wellbeing of people is actively supported. People told us *“they are always interested in how we are doing”*, another person told us; *“staff are really good with no problems here”*. We also spoke to three relatives, one of whom told us *“the care is fantastic”*.
- “Another person living with dementia has recently moved into the service. They are comfortable and relaxed following a period of initial distress when moving in. Their relative attends the home daily and is extremely positive

about staff and the environment, saying *“it’s the best home I have ever been in, and I’ve been in many”.*

Recommendation – 10. The Welsh Government should provide the Committee with data about the number of inspections conducted of care homes in Wales so far in 2022, outline the future inspections work being undertaken for the remainder of the year. The Committee would also like to hear about the Welsh Government intends to address the backlog in inspections over the pandemic.

Accept

As of 31 August 2022, there are 1,044 adult care homes registered with CIW. CIW has inspected 486 of these since January 2022. CIW’s approach to inspection is set out in its code of practice ([210122-code-of-practice-for-inspection-RISCA-en.pdf \(careinspectorate.wales\)](#)). CIW prioritise inspections on the basis of the intelligence we hold about services. During 2022, CIW initially focused on inspecting services where our intelligence raised concerns, or where CIW had identified poor outcomes for people at previous inspections and CIW needed to inspect again to consider if improvements had been made. CIW also prioritised inspection of services which were due for inspection following their re-registration under the Regulation and Inspection of Social Care (Wales) Act 2016. The re-registration of 1,639 services took place between 1 April 2018 and 26 January 2021.

The timetable for the inspection of adult care homes has to be considered alongside the requirement for CIW to inspect 927 other regulated adult and children’s services including domiciliary support services, care homes for children, boarding schools, etc.

Between 1 October 2021 and 31 August 2022, we have inspected 614 adult care homes. The aim of the current inspection programme is to have inspected all registered adult care homes in the 18-month period between 1 October 2021 and 31 March 2023. However, CIW are acutely aware of the continuing impact of the pandemic on the social care sector exacerbated by staff recruitment and retention pressures. Where CIW find poor outcomes for people, they will require the provider to take action and we will return to inspect the service to check improvements have been made. Such additional inspections could delay the completion of the planned programme which is difficult to predict or quantify.

In addition to our inspection activity, CIW work closely with partners to underpin and support our inspection programme. For example, we meet regularly with local authority and health board commissioners to share information about care services. This includes sharing feedback commissioners may have from people living in care homes and from health and social care professionals who regularly visit care services. CIW have developed a formal information sharing protocol and memorandum of understanding with commissioners. CIW also actively encourage people using services, their friends and families and care staff to share any concerns they have about care home services. This intelligence informs the planning of our inspection activity.

Recommendation – 11. The Committee is deeply concerned about the charging of top-up fees and recommends that the Welsh Government issues binding restrictions, to limit the areas where such fees are charged, which should be kept to a minimum and published. The Welsh Government should undertake a comprehensive review of this at the earliest possible opportunity

Reject - See joint response below for 11 and 12.

Recommendation – 12. The Committee recommends that a robust independent redress system be implemented, to allow service users or their relatives to challenge top-up fees.

Reject – Joint response for 11 and 12

The Welsh Government would be deeply concerned where any individual is being charged for care where that care is already provided free of charge through the public purse.

There are already clear guidelines in place within the Continuing Healthcare Framework which set out the approach to additional services, defined as services which are over and above those detailed in the care plan developed to address assessed need. The guidelines are clear that such personal contribution arrangements must never be utilised as a mechanism for subsidising the service provision for which the Local Health Board is responsible, should be a matter of personal choice, and that individuals are not put at risk of financial exploitation. The guidelines also provide a clear accountability framework which we expect Local Health Boards to adhere to.

In relation to local authority commissioned or arranged care, the regulations and code of practice for charging for adult social care only provide very limited and specific situations where additional cost payments may be appropriate; e.g. when a local authority has agreed to a person's request to be provided with more expensive accommodation than they would usually provide. For local authority commissioned or arranged care, access to advocacy, the local authority complaints system and the public services Ombudsman are further resources or channels of recourse that an individual can pursue.

For people that self-fund and arrange their own care we expect care home providers to be clear and upfront about the fees they charge individuals for residential care. They are required by law to set out this information in their written guide for the service as well as an individual's service agreement.

With these arrangements in place, until we have given full consideration to the findings of the National Care Service Expert Group, and engaged with partners on next steps, it would not be appropriate to commit to any wholesale amendments of regulation or to initiate a new independent redress system at this particular time, in the absence of that detail.

However, in keeping with evidence provided to the committee, subject to the outcome of the Expert Group and as part of any new system we would provide any further or updated clarification needed about charging for additional services. In terms of redress, we would need to carefully consider how any consequential refinements we might make to the existing regulations and frameworks sit in the context of any new system, and the Competition and Markets Authority's existing advice on consumer law for UK care home providers for older people, which already provides a level of protection for people.

Recommendation – 13. The Welsh Government should write to the Committee to outline their intentions for pooled funding for care home commissioning, in the context of the ongoing policy reform in the sector and the proposed National Care Service and National Framework.

Accept

As part of the rebalancing care and support programme, five task and finish groups have been established to consider and strengthen regional integration and joint working via Regional Partnership Boards. The Integrated Services Task and Finish group has been specifically reviewing existing provision and arrangements for the regional pooling of funds and in particular taking into account the recommendations of the 2021 Audit Wales Report on the commissioning of care home placements for older people. It will also review and consider the impact and usage of the ADSSC pooled budgets toolkit that was co-produced in 2019 with a range of stakeholders to provide practical guidance on how to overcome potential barriers to pooled fund arrangements.

Engagement with the task and finish group members and learning from the KPMG review of pooled budget arrangements suggests change is needed to ensure joint commissioning is more effective, outcomes focused and that pooled funds are considered as a tool within a joint commissioning arrangement as opposed to it being perceived as the end goal in itself.

To that end the task and finish group will likely be making recommendations about amending the part 9 guidance that will:

- Focus on the pooling of resources, which goes beyond just the pooling of budgets;
- More clearly positions pooled funds within a joint commissioning context;
- Provide greater flexibility for partners in relation to how, when and where they pool funds i.e. regional, sub regional, local or individual; and
- Highlight other priority areas for joint commissioning and the pooling of resources.

Recommendations from the task and finish group will, subject to Ministerial consideration and decision, shape the revised Part 9 statutory guidance which is due to be consulted upon on in Spring 2023.

Following ministerial approval to the revised draft guidance, the Committee will be formally issued a copy of the consultation documents for their consideration and comment.

Dr Andrew Goodall
Permanent Secretary
Welsh Government

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Reference: AC/326/caf

Date issued: 1 September 2022

Dear Andrew

Examination of the setting of well-being objectives

As you will be aware, my responsibilities under the Well-being of Future Generations (Wales) Act 2015 (the Act) require me to carry out examinations of public bodies, including the Welsh Ministers (the Welsh Government). Specifically, I must assess the extent to which public bodies have acted in accordance with the sustainable development principle when a) setting well-being objectives and b) taking steps to meet them, as the Act requires them. Acting in accordance with the sustainable development principle means seeking 'to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs'.¹ In order to do that, public bodies must take account of the 'five ways of working'.²

I have now concluded my examination of the extent to which the Welsh Government has applied the sustainable development principle when setting its well-being objectives. This is the first such examination carried out in this reporting period, which covers 2020-2025. The Welsh Government published its well-being objectives

¹ Section 5 (1) Well-being of Future Generations (Wales) Act 2015

² Shared Purpose: Shared Future Statutory guidance on the Well-being of Future Generations (Wales) Act 2015

as part of the Programme for Government for the sixth Senedd, along with a separate well-being statement in June 2021. This reflects the requirement to set and publish the objectives no later than six months following an election. My auditors commenced this work later that year.

I am not required to report at the conclusion of individual examinations, but I am required to report on the results of my examinations before the end of the reporting period (May 2025). This means the findings from this examination will be part of the evidence base for the report I am required to lay before the Senedd. However, I consider it important to communicate the results of each examination to aid accountability and support learning and improvement and to do so in a timely manner. I would also hope that reporting aids transparency and helps public bodies learn from one another. Therefore, this letter and annex set out my findings, conclusions and recommendations from this examination.

In assessing the extent to which public bodies have acted in accordance with the sustainable development principle, it is necessary for me to consider how they have applied the five ways of working. While good outputs and outcomes are self-evidently important, the Act gives prominence to the way bodies undertake their work - the 'how', rather than the 'what'. The Future Generations Commissioner (the Commissioner) and I have continued to emphasise that this matters; not for the sake of bureaucracy but to deliver better results, as well as providing appreciable benefits such as strengthening trust and relationships through collaboration and involvement. Therefore, in carrying out my examinations I look for public bodies to 'show their working'. This means that when examining the setting of well-being objectives, I expect public bodies to be able to describe and provide evidence on how they have gone about setting their well-being objectives in a way that takes account of the five ways of working. For example, who has been part of that process, when and how, as well as the information they have drawn on and how it has shaped the selection of well-being objectives.

Ideally, public bodies should set well-being objectives that sit at the heart of the organisation. It is not a requirement, but I am clear that situating them within their corporate planning arrangements represents best practice. Indeed, setting well-being objectives that sit outside the corporate framework may well limit their impact and reach and would add an additional layer of bureaucracy and complexity. All bodies will design and follow a process that reflects their own circumstances, which our examinations will seek to understand so we can make an assessment of the extent to which the sustainable development principle has been applied.

It is therefore positive to see that the Welsh Government has put its well-being objectives at the heart of the programme for government. I recognise that, for the Welsh Government, the reality of setting well-being objectives, in the way envisaged

by the Act and soon after an election, is challenging. It has to build a programme for government that reflects the political mandate, as well as ensuring it applies the sustainable development principle when setting its well-being objectives. Manifesto commitments do not remove or substitute for this statutory duty. Bringing these elements together presents some practical and conceptual challenges and there is no single right answer to how it should be done. I understand that it is an area where the Welsh Government is likely to continue to refine its approach over time.

As a result, the examination has raised some interesting issues and brought out some different perspectives across our respective organisations. However, having concluded my examination, it is my view that while the Welsh Government is continuing to take steps to embed the sustainable development principle in its wider processes and practices, it has not provided clear supporting evidence to show how it has applied the sustainable development principle when setting its well-being objectives. As a result, making an overall assessment of the extent to which that happened in the Welsh Government's context has not been practically possible.

It is apparent that the Welsh Government is continuing to take action to try to embed the sustainable development principle in how it does business generally. Following on from our 2019 [report](#), we have been provided with updated evidence on these arrangements although we have not reviewed their effectiveness as part of this examination. We can, however, see a continuation of work to build capacity and strengthen expertise in the civil service and to improve key processes, such as the way the Welsh Government sets its budget and monitors delivery. The Commissioner will be exploring the mechanisms the Welsh Government has put in place in her own review under section 20 of the Act. That work is well underway and in keeping with the commitment to coordination, we have been discussing with the Commissioner's office relevant information from our audit work. A member of Audit Wales staff has an observer role on the steering group that is supporting the review.

The primary focus of this examination is the setting of the well-being objectives. The Welsh Government's well-being objectives appear to reflect the spirit of the Act in several ways. They are cross-cutting in nature, there are clear links to the well-being goals and short and long-term trends are visible in the objectives. However, as described above, my responsibility is to assess the 'how' and not the 'what', meaning evidence on the way those objectives have been set is central. I have not been provided with sufficient evidence on this, making it difficult to assess the application of the ways of working and conclude on the extent to which the Welsh Government has acted in accordance with the sustainable development principle, as set out in the Act and described in supporting guidance.

In the case of the Welsh Government, both the quality and visibility of the process matter as a means of exercising its leadership role. The Commissioner and I have

talked about the importance of that leadership role in implementing the Act. It is important that, as the author of the legislation, the Welsh Government can be a role model for the change it wants to see in the wider public sector. For these reasons, it not only matters that the Welsh Government applies the Act well, but that it explains and communicates what it has done clearly.

While the duties present some particular challenges for a national government, the Welsh Government is probably not unique. Other public bodies may choose or need to set new well-being objectives in this reporting period – many councils will consider setting new objectives following their own elections. Given this, it is important that the Welsh Government sends a clear message on the importance of setting well-being objectives in a way that fully reflects the requirements and ambitions of the legislation.

We have had ongoing dialogue with officials about how this part of the legislation should be interpreted and applied. While my conclusions remain the same, we have been able to provide further clarification and I hope we have come to a place of mutual understanding. We have been transparent in sharing our audit framework and, in the spirit of learning we expect from others, we will be continuing to seek feedback and develop and refine it over the reporting period.

Finally, you will note I have made recommendations designed to help the Welsh Government when it next sets well-being objectives. While I appreciate that the Welsh Government may not be able to commit now to the detail of its response, I would nevertheless welcome confirmation at this point of whether the recommendations are accepted.

Yours sincerely



ADRIAN CROMPTON
Auditor General for Wales

cc.

Rt Hon Mark Drakeford MS – First Minister of Wales

Sophie Howe – Future Generations Commissioner

Mark Isherwood MS – Chair, Public Accounts and Public Administration Committee

Jenny Rathbone MS – Chair, Equality and Social Justice Committee

Annex: Examination of the setting of well-being objectives

How we carried out the examination

What we reviewed and why

- 1 Under section 15 of the Well-being of Future Generations (Wales) Act 2015 (the Act) the Auditor General has a duty to examine the extent to which the public bodies covered by the Act have acted in accordance with the sustainable development principle when setting their well-being objectives and taking steps to meet them. The Auditor General must undertake an examination in each relevant body at least once over each five-year reporting period, the current reporting period is May 2020 to May 2025.
- 2 This examination has been undertaken to help discharge that duty. It has focused on the setting of well-being objectives by Welsh Ministers (the Welsh Government).³
- 3 In 2020, the Auditor General consulted public bodies and other stakeholders on how the examinations should be delivered in the second reporting period. The programme of examinations we are now carrying out reflect our revised approach.
- 4 The examination was designed to:
 - provide assurance on the extent that the Welsh Government has applied the sustainable development principle in setting its well-being objectives; and
 - identify opportunities to further embed the sustainable development principle in the setting of well-being objectives in future.

³ We are carrying out further work to discharge the duty by assessing steps taken to meet well-being objectives as part of the Auditor General's wider programme of work.

Audit approach and methods

5 Our examination focused on the following question:

‘To what extent has the Welsh Government acted in accordance with the sustainable development principle when setting its well-being objectives?’

6 We applied an audit framework that has been informed by:

- the Act and statutory guidance.
- advice and guidance from the Future Generations Commissioner (the Commissioner).
- our existing audit framework, developed and used in the first reporting period, that was informed by extensive stakeholder engagement.
- characteristics of effective objective setting that feature in our wider work.

7 We began our main fieldwork in December 2021 and concluded in February 2022. We reviewed documents, including a written submission from the Welsh Government, and conducted interviews with officials. We have set out our high-level findings and recommendations below, along with some further detail about the scope of our examination.

Findings

Overall, we have concluded that while the Welsh Government is continuing to take steps to embed the sustainable development principle in its wider processes and practices, it has not provided clear supporting evidence to show how it has applied the sustainable development principle when setting its well-being objectives. As a result, making an overall assessment of the extent to which that happened in the Welsh Government's context has not been practically possible.

We have set out our more detailed findings below.

The well-being objectives reflect relevant short- and long-term considerations and there are clear links to the well-being goals but it is not clear precisely how relevant information has informed their selection or how the full diversity of the population was involved in the process.

What we looked for:

- A balanced and accurate understanding of progress against previous well-being objectives that has been reported clearly and is being used to help set new well-being objectives.
- A thorough understanding of current and future need, challenges and opportunities that informs the selection of new well-being objectives.
- Meaningful involvement of the right people that informs the selection of new well-being objectives.
- Well-being objectives that have been designed to deliver longer term benefits, balanced with meeting short-term needs. This includes being set over an appropriate timeframe.
- Well-being objectives that have been designed to improve social, economic, environmental and cultural well-being (including how they relate to each other, to other public bodies' objectives and to the goals).

- 8 The Welsh Government set its well-being objectives in June 2021, meeting the requirement to publish them within six months of the Senedd elections in May 2021. The well-being objectives were published in the Welsh Government's Well-being Statement and included in the Programme for Government 2021-2026, which the Welsh Government describes as 'putting them at the heart of government'. Incorporating the objectives into the key strategic document and planning process reflects statutory guidance and good practice across public bodies. The Welsh Government identified the need for 'pace' in developing the objectives to enable more time for delivery and to give the objectives 'prominence', which prompted them to make these changes.
- 9 There were 12 well-being objectives in the previous well-being statement and they have now reduced in number to 10 but there is evident continuity in their focus. The new objectives reflect changes in the external environment and are cross-cutting in nature. There are apparent links between the well-being objectives and well-being goals.

- 10 Short and long-term trends are visible in the final selection of well-being objectives. However, they are, in the main, aspirational in nature, for example: 'Make our cities, towns and villages even better places in which to live and work'. This means it will not be easy to measure progress over specific timeframes and evaluate success in meeting them (see also **paragraph 21**).
- 11 The Welsh Government has produced annual reports that provide an update on progress and past activity. Welsh Government officials told us that Ministers considered how they have performed against their previous well-being objectives when setting their new well-being objectives, referencing their annual reports (see also **paragraph 22**). They also told us they consider current and future threats, drawing on the Well-being of Wales annual reports and the Future Trends report.
- 12 However, it is not clear how information on past performance and trends has informed choices on well-being objectives from the evidence provided. We have not been provided with detail on how or when this happened, how the information has helped Ministers balance short- and long-term considerations and influenced the selection of new well-being objectives. The annual reports themselves reference the process of reviewing and retaining the well-being objectives but do not describe it in any detail. In carrying out examinations we ask that public bodies 'show us their working'. This is an essential part of us being able to assess ways of working and draw a conclusion on the extent to which a public body has acted in accordance with the sustainable development principle.
- 13 To understand and ultimately balance current and future need, the Welsh Government is also required to involve people with an interest in achieving the well-being goals. They must ensure those persons reflect the diversity of the population. The evidence we have received does not show that the Welsh Government has carried out involvement as described by the Act and its own guidance or in a way that reflects the expectations of the Commissioner. The Welsh Government has not directly involved people in setting its new well-being objectives nor has it described how it has drawn on a range of existing involvement intelligence, but we have been told that 'Welsh Ministers are content that the well-being objectives are the outcome of a democratic process involving a huge range of voices from across Wales'.
- 14 We appreciate that the Welsh Ministers may want to reflect their party manifesto commitments in the Welsh Government's well-being objectives and that they will want to draw on conversations they have had with people across Wales during the election as part of this. However, we have not seen evidence as to

what information has been considered and how it has informed the setting of well-being objectives. This raises some important questions, such as:

- **How has the Welsh Government ensured that it has involved the diversity of the population?** To do this effectively, it is necessary to consciously and systematically consider who should be involved and how to involve them. This must reflect the diversity of the population.
- **How have the results of involvement informed the development of the well-being objectives?** It is not clear how the outcomes of discussions with the public have informed the setting of well-being objectives.
- **How has the Welsh Government taken account of the expectations associated with involvement (as opposed to engagement/consultation) and good practice?** The Commissioner has published advice on how to carry out high quality involvement. This covers elements described above, such as the need to make sure the right people are being involved and going about it in the most effective way. It also covers the importance of feeding back to people to let them know how their views have been taken into account. This could be achieved by setting out the information that has been gathered through involvement and describing how that has been drawn upon in the well-being statement.

- 15 The Welsh Government involves people across a range of its functions and activities, both directly and indirectly. The Welsh Government's well-being statement states that an analysis of responses to its 'Our Future Wales' consultation helped inform the well-being objectives, but the statement does not explain this process. It seems likely to us that there will be other sources of relevant information. There are opportunities for the Welsh Government to consider and, where appropriate, describe how this wider information informs the setting of well-being objectives.
- 16 It is also unclear whether and how other bodies have been involved in, or had their own well-being objectives taken into account in, the Welsh Government's setting of its well-being objectives. The Welsh Government does, however, say that given the continuity in government many organisations would have been engaged with Ministers during the previous term. However, we have not been provided with evidence during this examination of how the Welsh Government has considered the impact on other public bodies' objectives. These arrangements do not appear to be sufficiently robust, and it raises the question of how civil servants support new Ministers to take account of this information, and particularly if there had been a change in the party of government.

The Welsh Government is taking action designed to ensure it delivers its objectives in line with the sustainable development principle, but it has not clearly set out how it will work with others and there are opportunities to strengthen its monitoring arrangements

What we looked for:

- Appropriate consideration as to how the well-being objectives will be resourced over the short, medium and long term.
- Appropriate arrangements to work with others, including planning to involve the public in ongoing design and delivery and/ or ensuring there are appropriate partnership and collaboration arrangements in place.
- Appropriate arrangements for monitoring and review so that progress can be assessed over the short, medium and longer-term. These arrangements are transparent and clearly communicated to internal and external stakeholders.
- An understanding of how well the Welsh Government approached the setting of the previous well-being objectives and evidence that it has applied that learning to improve how it set its most recent well-being objectives.

- 17 The well-being statement states the importance of involvement and recognises the need to work collaboratively in delivering the well-being objectives. Given there is some continuity in objectives, it is reasonable to assume that existing delivery arrangements will remain in place, but there is no detail of this in the well-being statement.
- 18 Once the well-being objectives had been set, the Welsh Government told us it had considered how the budget could be aligned to deliver them. It is important that the objectives drive the budget-setting process, but there are also opportunities to ensure that risks to deliverability and available resources are considered when setting those objectives. This is particularly the case given they are longer-term in nature. The well-being statement does not contain information on resourcing the objectives.
- 19 Officials we spoke to recognised the pivotal role the budget-setting process can play in ensuring that the Welsh Government can deliver long-term, preventative benefits. The Budget Improvement Plan identifies a number of actions to develop financial planning arrangements, including by:
- embedding the Act in budget decisions;

- longer-term financial planning - including reference to drawing on sources such as the Future Trends Report and approaches such as scenario modelling;
 - prevention agenda – focusing on deploying resources to support a shift in preventative activities;
 - responding to climate change and biodiversity; and
 - transparency of budget data.
- 20 Officials are considering how they can extend their financial-planning horizon. It will be important for the Welsh Government to continue to develop modelling and scenario planning to inform budget and other decisions.
- 21 The well-being objectives are, on the whole, not easily measurable. The Welsh Government has recognised that the previous well-being objectives were not ‘SMART’ and identified it as an area for improvement, partly in response to feedback from the Commissioner. However, further work would be required to make the objectives SMART and enable clearer reporting.⁴
- 22 The annual reports could also be strengthened to aid planning and support accountability. They describe achievements, grouped by cross-cutting theme, and the supporting annex sets out progress against programme for government commitments. However, this makes it difficult to evaluate overall progress against each well-being objective and identify what further or different action might need to be taken to achieve them.
- 23 At the time we conducted our fieldwork, governance and reporting arrangements were being put in place, including the extension of the ‘Business Information Reporting Tool’ (BIRT) system to monitor delivery across the whole of the Welsh Government. While the wider development and roll out of the BIRT system is positive, it is important that organisations have a system that enables them to gain a corporate picture of delivery.
- 24 The Welsh Government is also continuing its efforts to develop knowledge across the civil service through training and awareness raising. It is seeking to

⁴ There are several versions of this acronym. We use it to refer to Specific, Measurable, Achievable, Realistic and Time-bound.

strengthen policy expertise by incorporating the sustainable development principle into the Policy Capability Framework. We are also aware that the Welsh Government's recent internal restructuring is intended to give more prominence to some key cross-cutting themes and to support delivery against the well-being objectives generally.

- 25 These examples show a continuation of work to embed the sustainable development principle in the Welsh Government's processes and practices, which we referred to in our 2019 examination report. We have not reviewed these arrangements in detail as part of this examination.
- 26 The Commissioner is currently undertaking a review exploring the mechanisms the Welsh Government is putting in place to deliver on the Act. She will therefore consider these and other related arrangements in more detail as part of this work.
- 27 The Welsh Government described some initial reflections on how it set its well-being objectives. It has not yet fully considered the improvements it could make but expects to identify further learning that can be applied in future.

Recommendations

When setting well-being objectives in future, the Welsh Government should:

Recommendation 1: Consider the various ways that it can apply the sustainable development principle throughout its process of setting new well-being objectives. This should include carrying out and/or drawing together the results of involvement, as described in the Act and supporting guidance.

Recommendation 2: Clearly communicate how it has acted in accordance with the sustainable development principle when setting its well-being objectives and how it has done this within its unique context. This should include, for example:

- How it has used a wide range of information to help balance short- and long-term need and make choices about the selection of well-being objectives.
- The results of involvement and how they have informed the setting of well-being objectives.
- How it has taken account of the views of and likely impact on other bodies and their well-being objectives.

The Act requires public bodies to explain why they consider they have set well-being

objectives in accordance with the sustainable development principle in their well-being statements. The Welsh Government's well-being statement should therefore be a useful means of clearly communicating the above.

Dr Andrew Goodall
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

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11 October 2022

Dear Adrian,

Response to the Auditor General for Wales' examination of the setting of Welsh Government's well-being objectives

Thank you for your letter on the conclusion of your examination of the extent to which the Welsh Government has applied the sustainable development principle when setting its well-being objectives.

The inclusion of the Auditor General for Wales within the Well-being of Future Generations (Wales) Act 2015 recognises the important role that examinations can play in supporting public bodies to continually improve and deepen how they act in accordance with the sustainable development principle. You have recognised that this is a stretching duty that takes audit into a new territory and therefore I note the change in your approach to the examination in this reporting round, following your consultation in 2020 and the changes you have made to your methodology to explore and understanding context, recognising that ways of working will need to be applied differently.

I am pleased that the examination recognises the positive action we are taking to embed the sustainable development principle in how we conduct our business. However, our assessment differs from that in the examination. It remains my opinion that the way the Welsh Government's well-being objectives were set meets our statutory responsibilities, and more importantly, sends a strong message to public bodies that setting objectives early, and at the heart of the organisation provides the best chance for them to shape decisions towards more sustainable outcomes.



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi. Dilynwch y ddolen i gael arweiniad ar sut fyddwn yn trin a defnyddio'ch data, yn unol â'r Rheoliadau Diogelu Data Cyffredinol. <https://gov.wales/about/welsh-government-privacy-notice/?skip=1&lang=cy>

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding. Please follow the link for guidance on how we will handle & use your data, in accordance with the General Data Protection Regulations. <https://gov.wales/about/welsh-government-privacy-notice/?lang=en>


Your report has highlighted the opportunity for Government to provide better information to the wider public sector on how it is acting in accordance with the sustainable development principle, including how it is applied in decisions of a strategic nature, such as the well-being objectives. On Recommendation 2, we continue to look at ways in which we can communicate how we are acting in accordance with the sustainable development more widely, beyond our communication to you, the Commissioner and the Senedd. Next month we are bringing together existing and new bodies subject to the Act to share learning and practice in discharging the well-being duty.

One of the key outcomes of the Well-being of Future Generations (Wales) Act 2015 is to ensure that sustainable development is the central organising principle of Government and public bodies. It remains our expectation that public bodies should not treat the requirement to set well-being objectives under the Act as separate from the objectives that guide and steer the actions and decisions of the organisation. In practice, this means bodies, particularly those that are politically led, finding a way to bring together the policy objectives on which members have been elected, and that they are mandated to deliver, with the design of well-being objectives which maximise their contribution to the achievement of the well-being goals.

The Programme for Government 2021-2026 purposefully places the ten well-being objectives at its heart. This ensures that people in Wales can see their democratic voices reflected in Welsh Ministers' priorities for this government term. The early setting of well-being objectives by Welsh Government sends a strong signal to the wider public sector that this practice, which bodies exhibited in the last cycle of the Act, should continue. This demonstrates the leadership and commitment of Ministers and has added new impetus to the sustainable development agenda across Welsh Government. Treating the well-being objective setting process in this way and not as a standalone process, detached from our wider mechanisms for delivering sustainable development is, in my opinion the more effective approach and better reflects the spirit and intent of the Act.

As the 2021 Senedd elections delivered a continuation of the previous government, when setting the well-being objectives, we were able to draw from our recent collaboration, engagement, and involvement with people and organisations from across Wales. This includes learning from our work with the Shadow Social Partnership Council, the Black Asian and Minority Ethnic COVID-19 Advisory Group, and the Welsh Youth Parliament. It is the sum of these parts that supports Ministers in making decisions, rather than a single, add-on route of citizen insight and involvement just for the well-being duty. Involvement should be a continuing endeavour and therefore while we understand your position in respect of Recommendation 1, I do not see the benefit in an exercise to draw together all the results of involvement into a single product.

The Welsh Government's action and leadership on the well-being of future generations agenda is accelerating in this Government term, and we are maximising every opportunity to deliver on our well-being objectives, identifying areas where we can integrate approaches and contribute to shaping Wales' future. I look forward to continuing to work with you and your team to strengthen our architecture for delivering sustainable development in Wales.

Yours,


Dr Andrew Goodall
Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government

Cc: First Minister, Minister for Social Justice, Chair of the Public Accounts and Public Administration Committee, Chair of the Equality and Social Justice Committee, Future Generations Commissioner for Wales.

Document is Restricted

COVID-19 business support in 2020-21

Memorandum for the Public Accounts and Public Administration Committee

Date issued: October 2022

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This memorandum for the Public Accounts and Public Administration Committee of Senedd Cymru has been prepared further to the Auditor General for Wales' audit of the accounts of the Welsh Ministers under section 131(6) of the Government of Wales Act 2006.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at infoofficer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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Introduction

- 1 In his report as part of the [Welsh Government Consolidated Accounts 2020-21](#), the Auditor General drew attention to the effects of his prior year qualification of the 2019-20 financial statements in relation to business grants provided in response to the COVID-19 pandemic. The Auditor General qualified his true and fair opinion on the 2020-21 financial statements because they contain £0.7 billion of expenditure that should have been included in the 2019-20 financial statements. The Welsh Government does not agree with this position and has included this expenditure in its 2020-21 financial statements¹.
- 2 The Auditor General's report also drew attention to disclosures in the Welsh Government's Governance Statement concerning the estimated level of fraud and error for COVID-19 business grants. The Governance Statement identifies that, from the reported incidence of fraud and 'Post Completion Monitoring' completed to date:
 - the Welsh Government has assessed a range of fraud and error of between 0.08% and 4.17%;
 - it applied this percentage range to expenditure of £893 million in 2020-21 on those schemes with enhanced eligibility requirements beyond initial flat rate support schemes; and
 - on that basis it has estimated a potential risk of fraud and error of between £0.7 million and £37.2 million from that £893 million of expenditure.
- 3 The Auditor General's report noted that there are 'uncertainties in this estimate as a result of data limitations'. Despite these uncertainties, the Auditor General stated that, 'I am satisfied that there is sufficient evidence to conclude that this does not constitute material expenditure in the Welsh Government's Consolidated Accounts'. For the Consolidated Accounts 2020-21, the materiality level is set at £175 million².

¹ Our November 2020 [Commentary on the Welsh Government's Consolidated Accounts 2019-20](#) provided further explanation on the qualification. The Senedd Public Accounts Committee considered this matter part of its scrutiny and in its own [Scrutiny of Accounts 2019-20: Welsh Government](#) report in March 2021.

² Our 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. Misstatements 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 the financial statements.

About this memorandum

- 4 We have prepared this memorandum for the Public Accounts and Public Administration Committee (PAPAC) to set out some additional information and support scrutiny of the Consolidated Accounts 2020-21. The memorandum is not exhaustive and focuses on the main financial support to business interventions administered by the Welsh Government in 2020-21 that have been the focus of our audit sample testing³. We outline:
- why the Welsh Government provided financial support to businesses impacted by the COVID-19 pandemic;
 - how much financial support the Welsh Government provided during 2020-21 and for what purposes;
 - how the Welsh Government is following up on risks relating to fraud and error; and
 - how the Welsh Government is evaluating the impact of its financial support.
- 5 In preparing this memorandum, we have drawn on:
- information from the Welsh Government's financial ledger system, Business Account – Customer Relationship Management – System (BAS), COVID-19 business support scheme guidance and other papers provided to us as part of our audit of the Welsh Government's 2020-21 accounts;
 - other Welsh Government management information about the number of businesses benefiting from support, which we have not audited ourselves; and
 - other public domain information, including evaluation reports by Economic Intelligence Wales (see **paragraphs 42 to 43**).
- 6 We have not sought to form our own view of the economy, efficiency, or effectiveness (value for money) of the administration of the financial support, including the wider impact on Welsh businesses. Nor have we undertaken any further testing of the control arrangements beyond the high-level work necessary to support the Auditor General's opinion on the Welsh Government's Consolidated Accounts in 2019-20 and 2020-21. However, we may undertake further work on this topic taking account of the additional support provided through 2021-22 and further evidence that may emerge about value for money, including from the Welsh Government's ongoing Post Completion Monitoring.

³ Other funding commitments provided additional or repurposed support to specific sectors or in specific circumstances. For example, support provided to the cultural and creative sector.

Why did the Welsh Government provide financial support to businesses impacted by the COVID-19 pandemic?

- 7 Across the UK, the impacts of the COVID-19 pandemic led to unprecedented measures to protect people and the economy. The UK Government and the Welsh Government, along with the other UK nations implemented national lockdowns on 23 March 2020. All non-essential retail, hospitality, leisure, and a range of other businesses closed. Other sectors were also heavily affected, including manufacturing, construction, consumer goods, and businesses supplying them. Businesses that remained open needed to adapt ways of working to ensure that they could operate both legally and safely, in line with COVID-19 guidelines.
- 8 The UK Government announced it would provide funding directly to businesses to pay a proportion of staff wages, through the Coronavirus Job Retention Scheme (the 'furlough scheme'); which launched in March 2020, ran until September 2021 and was available to eligible businesses, including in Wales. The UK Government also provided the Self-Employment Income Support Scheme; Business Loan Interruption Scheme; and Statutory Sick Pay Rebate Scheme, among others, which eligible Welsh businesses could access. The Welsh Government set out details of the early UK Government support in an [evidence paper](#) to the Senedd Public Accounts Committee in June 2020.
- 9 In addition to the UK-wide support, the Welsh Government recognised the specific needs of the Welsh economy and introduced its own complementary packages of financial support for Welsh businesses. In its evidence paper to the Public Accounts Committee in June 2020, the Welsh Government emphasised that its own economic interventions were intended to:
 - help businesses survive the shock of sudden and significant drops in revenues, resulting from the coronavirus pandemic and from the enforced lockdown measures necessary to control the spread of the virus; and
 - increase the chances of businesses surviving and of safeguarding employees' jobs.
- 10 To enable a rapid response, the Welsh Government administered discretionary and targeted grants itself and used the 22 local authorities in Wales as its agents to administer some grants, predominantly property related non-domestic rates based grants, alongside rate relief. The Development Bank of Wales also provided business loan support in advance of the UK Government launching its Bounce Back and wider loans services. Given the imperative to provide support quickly, the Welsh Government made clear that it was increasing its risk appetite. It accepted that verification checks which it would expect to undertake in normal operating conditions might not be possible and that this may increase the inherent risk of fraud and error.
- 11 As noted in its 2020-21 Governance Statement, the Welsh Government considers that the controls it put in place around application and award were proportionate,

effective, and provided adequate safeguards for public funds. However, we found through the testing undertaken for our audit of the Welsh Government’s 2020-21 Consolidated Accounts that while there were some checks on some of the eligibility criteria before grants were paid, these checks were not systematic or always documented.

How much financial support did the Welsh Government provide during 2020-21 and for what purposes?

12 **Exhibit 1** summarises the main components of the financial support to businesses included in the Welsh Government’s 2020-21 financial statements but, as noted in **paragraph 4**, is not exhaustive. The £2.1 billion sum represented includes £92 million of loan support provided through the Development Bank of Wales⁴. However, the focus of the remainder of this memorandum is on the support administered by the Welsh Government and local authorities. **Appendix 1** provides a more detailed breakdown of that grant and rate relief support and details of the number of grant awards.

Exhibit 1: main components of the financial support for business included in the Welsh Government’s 2020-21 financial statements

Financial support	Details
<p>COVID-19 Non-Domestic Rates (NDR) Grant Scheme</p> <p>£730 million¹</p>	<p>This scheme made a grant of £25,000 available for retail, leisure and hospitality businesses occupying properties with a rateable value of between £12,001 and £51,000, and a £10,000 grant for businesses eligible for small business rates relief (SBRR) in Wales with a rateable value of £12,000 or less.</p> <p>Local authorities administered this scheme on behalf of the Welsh Government. It applied to properties that were on the NDR rating list on 20 March 2020. But with local authorities able to apply discretion regarding eligibility if the ratepayer was not on the list at that date. Paragraphs 28 and 29 consider changes to the eligibility guidance for self-catering accommodation in April 2020.</p>

⁴ The Auditor General is not the external auditor of DBW. However, DBW is one of the entities that is part of the Welsh Government ‘group’ structure and whose results are consolidated into the Welsh Government’s financial statements.

Financial support	Details
<p>Business Rates Relief</p> <p>£356 million</p>	<p>The Retail, Leisure and Hospitality Rates Relief scheme for larger properties, administered by local authorities, provided rates relief to eligible ratepayers for 2020-21 (separate to pre-existing Small Business Rates Relief arrangements). The scheme aimed to provide support for eligible occupied premises with a rateable value of £500,000 or less, by offering a discount of 100% on the non-domestic rates.</p>
<p>Economic Resilience Fund (ERF)</p> <p>Phases 1-4 administered by the Welsh Government:</p> <p>£318 million</p>	<p>The ERF was a Welsh Government initiative designed to support businesses' cash flow with funding for short term operating cost expenditure to help them survive the economic consequences of the pandemic.</p> <p>The ERF sought to complement and not duplicate other COVID-19 response measures. Working alongside the NDR scheme, it was available to those not eligible for other schemes or those still in difficulty and deficit having already received the NDR funding available. It was intended to fill residual and emerging gaps, to support eligible enterprises with the fixed costs of remaining in operation, while suffering from a significant reduction in turnover resulting from the pandemic.</p> <p>The scheme offered support to businesses closed by lockdown restrictions as well as providing some sector specific support.</p>
<p>Other support administered by local authorities</p> <p>£575 million</p>	<p>Following on from the initial NDR grants and rates relief support, local authorities administered other elements of support for businesses later in 2020-21 as further restrictions were imposed. The majority of this support was linked with NDR eligibility, along with some smaller discretionary funds.</p> <p>This support was designed to complement the overall package of Welsh Government administered ERF support through its various phases and included start up grants, the NDR lockdown fund and the business restriction fund.</p>

Financial support	Details
COVID-19 Wales Business Loan Scheme £92 million	Available for companies experiencing cash flow problems because of the pandemic, the Development Bank of Wales (DBW) provided loans of between £5,000 and £250,000, fixed at 2% with an interest and capital repayment holiday for the first 12 months. DBW commented on the support provided in its 2020-21 Annual Report .

Note:

¹ As set out in **paragraph 1** of this memorandum, this £730 million sum should have been accounted for in 2019-20. The Welsh Government does not agree and included this expenditure in its 2020-21 financial statements. The Welsh Government also accounted for £42 million of NDR grant support in 2019-20 which is not in the £730 million.

Source: Audit Wales summary drawing in part on Welsh Government financial ledger data and our review of other contextual information.

13 The support provided evolved over time, reflecting developments as additional COVID-19 related funding became available to the Welsh Government and the targeting of support to specific sectors that were most impacted by ongoing restrictions. Within the four phases of the Economic Resilience Fund (ERF) support administered by the Welsh Government during 2020-21, the support measures included packages for different sizes of business covering:

- micro businesses employing between 1 and 9 people;
- small and medium enterprises employing between 10 and 249 people; and
- large businesses employing 250 people or more.

How is the Welsh Government following up on risks relating to fraud and error?

Welsh Government administered schemes

14 At the start of the pandemic, it was unclear to the Welsh Government how long arrangements for financial support to business might need to last or how these arrangements might need to evolve to respond to changing circumstances. The Welsh Government set eligibility criteria for the schemes it administered as part of its guidance notes. As the situation evolved and regulations changed these criteria developed across the different schemes and phases, with increased digitisation of the application process supported by online tools for businesses to be able to

check eligibility before application windows opened. The Welsh Government's pre-payment controls also evolved over time as lessons were learnt.

- 15 Some of the scheme eligibility criteria could be and were checked at the time of the application, for example creditsafe checks (a website check that the business exists), and bank account checks. To enable faster payment processing a fully comprehensive, business as usual, appraisal was not feasible and the Welsh Government relied upon self-declarations for certain aspects of the eligibility criteria, such as turnover. The Welsh Government committed to doing additional checks post payment on the schemes it directly administered, with applicants and those granted awards being made aware of the prospect of these checks.
- 16 The Welsh Government has reported to us an average application rejection rate of 25% across the schemes it administered in 2020-21, which it considers demonstrates the effectiveness of controls at the application stage⁵. Reasons cited by the Welsh Government for the rejection of applications include not meeting the criteria, speculative applications, error/mistake, or those arousing suspicion of fraud or malpractice.
- 17 The Welsh Government's 'Post Completion Monitoring' is aimed at ensuring that grant terms and conditions were adhered to and addressing instances of incorrect awards. It is also being used to consider the performance of the business in terms of their commitments such as jobs protected, with a view to taking recovery action where relevant. The timing for Post Completion Monitoring was set initially at 12 months after payment.
- 18 Working alongside its existing Monitoring and Due Diligence team, the Welsh Government has established a new team of ten staff to work on Post Completion Monitoring, focusing on grants to micro and SME businesses. Monitoring for larger businesses will be undertaken as part of the Welsh Government's business as usual monitoring arrangements for financial support to business.
- 19 Exactly how long the Post Completion Monitoring work will take to complete is not clear and the prioritisation of resources to support the ongoing COVID-response has had some impact on progress. The new team was created initially for a period of two years, with eight new staff members recruited from outside the Welsh Government and on fixed term contracts ending in summer 2023. The other two team members are Welsh Government civil servants with relevant experience. The Welsh Government has noted that many of the businesses supported during the pandemic were not used to dealing with Welsh Government grant funding arrangements. This has made some of the engagement with businesses around Post Completion Monitoring more difficult and time consuming than might normally be expected.
- 20 The Welsh Government has also established an 'oversight group' to advise on the programme of Post Completion Monitoring, monitor progress and provide quality

⁵ In the case of the support available to micro businesses during phases 1 and 2 of the Economic Resilience Fund, the Welsh Government has also reported to us that 40% of those accessing the online triage pre-application did not progress to application.

assurance. Membership of the group, which met for the first time in December 2021, includes senior officers from within the Welsh Government's Economy, Treasury and Constitution Group as well as from central functions including finance, the grants centre of excellence and internal audit/counter-fraud.

- 21 Although the plans for Post Completion Monitoring cover all the grant awards the Welsh Government administered, it has decided to adopt a tiered approach reflecting the numbers of businesses supported of different sizes, resource and time constraints and consideration of costs vs benefits. In summary, the approach adopted to date for phases 1 and 2 of the Economic Resilience Fund has been:
- Micro businesses: the Welsh Government has adopted a survey-based approach, asking simple questions to establish whether the business is still operating and how many people are being employed.
 - SME businesses: the Welsh Government has identified that those SMEs with higher value awards of over £30,000 – accounting for around half of the SMEs supported during these phases but around three quarters of the total value of support for SMEs – would be subject to fuller Post Completion Monitoring by report and supporting financial evidence. For the other businesses, the Welsh Government again opted for a survey-based approach in the first instance but indicating to businesses that it reserves the right to contact them again if selected as part of random sampling for further follow up. The assumption has been that around 20% of the surveyed businesses would be sampled for follow up, but with this being kept under review as the process moved forward across different phases of support.
 - Large, non-SME, businesses: the Welsh Government is undertaking fuller Post Completion Monitoring in line with its business-as-usual monitoring approach for business support, again requiring submission of relevant evidence including around drops in turnover (which was a key eligibility criteria).
- 22 At the time of completion of our audit of the 2020-21 Consolidated Accounts, in July 2022, the Welsh Government informed us that for phases 1 and 2 of the Economic Resilience Fund it had:
- issued 9094 surveys to micro businesses supported during phases 1 and 2, receiving returns from 3029 (33%).
 - issued 2527 surveys to SMEs, receiving returns from 1370 (54%) – the fuller PCM for these phases had not been completed.
 - issued requests for information to 52 large businesses, receiving returns from 41 (79%).
- 23 Having been through a further pilot, Post Completion Monitoring for phase 3 was underway with plans to progress the arrangements for later phases of support over the summer.
- 24 While the Welsh Government considers that its controls have been good, a view that has also been reflected by its Head of Counter Fraud, it has identified some areas that, with hindsight and from a counter-fraud perspective, could have been

considered for their reasonableness and proportionality. These included making more extensive use of the CIFAS National Fraud Database (NFD) at the application stage. The database provides a real-time fraud prevention tool that could have been used pre-award to identify fraud or persons/organisations applying for support. We understand that the database had been used in around 10% of cases (which Welsh Government officials have told us were identified as higher risk), but that bulk uploads were possible and could have provided 100% results within 24 hours.

- 25 Collecting additional personal data on application forms may also have assisted with these checks and follow-up to some extent, albeit with data handling considerations. The Welsh Government has noted that the biggest mitigation of risk would have been if it had been able to link to Her Majesty's Revenue and Customs data for validation, but that this was not possible under legislation.
- 26 For phase 3 of the Economic Resilience Fund, and building on earlier declaration and grant award processes, the Welsh Government took the additional step of issuing an 'amnesty' style communication to grant recipients by email in advance of Post Completion Monitoring. This asks businesses to consider if they are still able to comply with the grant terms and conditions. Mobilising resources, had they been available and able to be prioritised, to start the Post Completion Monitoring phase more quickly would also have been beneficial from a counter-fraud perspective.

Local authority administered schemes

- 27 For schemes in which local authorities acted as agents of the Welsh Government, local authorities were required to administer the grants in-line with Welsh Government guidance, including details of eligibility criteria. The Welsh Government relied heavily on local authorities' existing systems and controls to make the payments to businesses as its 'trusted partners'. There were mechanisms in place to support dialogue between Welsh Government officials and local authority officers as schemes were developed and delivered, as well as data sharing agreements. However, the Welsh Government has emphasised that the design of the system of monitoring and control was ultimately the responsibility of local authority 'Section 151' officers in keeping with the wider statutory duties of those officers around the proper administration of local authorities' financial affairs.
- 28 As with the Welsh Government administered schemes, these criteria evolved across and sometimes within individual phases of support. For example, early in the pandemic in April 2020, the Welsh Government issued updated guidance which set out specific criteria concerning self-catering accommodation and eligibility for grant support amid concerns about a potential loophole regarding second home ownership. Nonetheless, the Welsh Government's guidance on grant awards emphasised that final decisions to provide grant support ultimately lay at the discretion of the local authority with the aim of providing support to genuine businesses that were negatively impacted.
- 29 We are aware that the question of discretion has given rise to some concerns about the consistency of approach applied by different local authorities, taking

account of their specific circumstances and including practical constraints relating to the resources required to process and check applications in a timely way. In plenary on 26 January 2021, the First Minister confirmed the Welsh Government's position that, "Discretion will mean that some local authorities go about that in ways that others do not. That is in the nature of discretion".

- 30 While the Welsh Government has collated some information from local authorities, it has not sought to formally evaluate the full extent or significance of any differences in the approaches adopted, whether in terms of authorities' design of their systems of control at the point of application, their ultimate decisions on the award of grants, or their arrangements for post payment monitoring. Information we reviewed through our sample testing of applications for the audit of the 2020-21 Consolidated Accounts identified varying practices. Information that the Welsh Government has gathered about fraud policies, membership of teams responsible for planning the grant schemes, the request of bank statements as part of due diligence, and 'exception reporting' such as the same bank accounts for more than one applicant, also highlights some differences in approach between authorities.
- 31 The Welsh Government has required that local authorities complete a 'Schedule 6 Annual Statement of Grant Expenditure' signed by the Section 151 officer to provide assurances which included that systems and controls were in place to ensure that the grant was used solely for the purposes for which it was given. As at July 2022, when we were concluding our audit of the 2020-21 Consolidated Accounts, the Welsh Government had received returns for 2020-21 from 19 of the 22 local authorities, although 10 of these returns related only to the first phase of NDR grants launched in March 2020. The Welsh Government had not identified any areas of concern or non-compliance from its review of those returns. Nevertheless, there is still outstanding work for the Welsh Government to do in this area to comply with its own control framework and that we would expect to be concluded this year.
- 32 The Welsh Government has also sought information from local authorities about the incidence of fraud or error. At the close of our audit, it had received 'fraud returns' from 18 of the 22 authorities⁶. Based on the first 17 of these returns, the Welsh Government has identified that local authorities' application controls resulted in around 14% of applications being rejected pre-payment, which it considers demonstrates that applications controls were in place and operating effectively.
- 33 One component of the control arrangements is evidence from data matching through the National Fraud Initiative (NFI). As part of the 2020-21 NFI work programme, the Auditor General mandated that local authorities in Wales provide data on COVID-19 grants for data matching purposes (21 of 22 did so). Local authorities were required to provide details of the £10,000 grants to small businesses and of the £25,000 grants available for retail leisure and hospitality

⁶ All authorities had completed either a Schedule 6 return of fraud return at that point, but only 15 had completed both. One of the fraud returns was only received on 21 July 2022 and evidence from it is not reflected in the Welsh Government analysis that we considered in finalising our audit.

businesses through the initial NDR linked grants support package launched in March 2020 (see **Exhibit 1** and **Appendix 1**).

- 34 The grants data was matched to ensure that businesses did not receive more support grants than they were entitled to, and grant recipients were matched against fraud watch lists to ensure the recipient was not a suspected fraudster. The data matches were provided to local authorities to review. Only a relatively small number of instances of fraud or error were identified in respect of the duplication of grant awards, amounting to £20,000. However, this exercise was not designed to address other potential ways in which these funds could have been fraudulently misused for example, grants being claimed by organisations who had ceased trading before the pandemic, or impersonation fraud where fraudsters had masqueraded as a genuine business resulting in public funds being diverted into non business accounts.
- 35 The UK NFI Team has since developed data-matching products to enable public bodies to undertake bank verification and trading status checks on organisations that have applied for grant funding. These products were offered to local authorities across Wales but at a cost. One local authority did still take up the option of using the products in conjunction with other internal controls. At 31 March 2022, it had identified fraud and error amounting to £570,000 relating to 41 grant awards. The Senedd Finance Committee has since approved funding for the Auditor General to make these products available to local authorities without charge. We have written out recently to local authorities to gauge their wider interest in conducting these checks if further access to them can be secured.

The Welsh Government's estimate of fraud and error

- 36 We substantially completed our audit work on the Welsh Government's 2020-21 Consolidated Accounts in autumn 2021. At that time:
- for the first phase of local authority administered NDR related grants and rate relief, amounting to £1.1 billion, our sample testing did not identify any significant eligibility issues with payments made under these schemes. The schemes had limited eligibility criteria based on business type, rateable value and other criteria which could be checked before the grants were awarded.
 - for other grant schemes amounting to £893 million the eligibility criteria were wider with the express view of protecting the public purse. We were unable to obtain sufficient appropriate audit evidence to confirm that these grants had been paid to eligible businesses and the Welsh Government had not collated sufficient information with which to quantify the potential level of fraud and error across these grants.
- 37 However, the delay to the accounts process has provided more time for the Welsh Government to take account of evidence collected from local authorities and from its own Post Completion Monitoring as described in **paragraphs 17 to 23**. From this evidence, the Welsh Government has currently assessed a range of fraud and

error of between 0.08% and 4.17%⁷. The Welsh Government applied this percentage range to the £893 million of expenditure on schemes with enhanced eligibility criteria⁸. On that basis, the Welsh Government estimated a risk of fraud and error of between £0.7 million and £37.2 million.

- 38 We have set out below some of the further detail that has informed the Welsh Government's estimate, as at July 2022:
- the Welsh Government identified an error incidence rate of 97 (2.21%) from the 4,399 Post Completion Monitoring returns that it had received from micro and SME businesses receiving grant funding in phases 1 and 2 of the Economic Resilience Fund. It also reported to us recovery of £1.6 million (0.88%) to date from Post Completion Monitoring on phases 1 and 2⁹.
 - the Welsh Government had identified one case of recovery to date from the 24 survey responses that had been received from SMEs supported through the Business Development Grant in phase 3 of the Economic Resilience Fund. This equated to an error rate of 4.17%.
 - the Welsh Government identified 142 cases of fraud or error from 16 local authority fraud returns. It extrapolated this figure to estimate a total of 195 cases (0.08%) across 246,127 individual grant awards by local authorities in 2020-21.
- 39 As the Auditor General noted in his report on the 2020-21 Consolidated Accounts, we consider that there are uncertainties in the Welsh Government's estimate as a result of data limitations. In each of the cases above, the calculations relate to the percentage incidence rate from a total number of grant awards rather than the value of the incidences relative to the overall expenditure, while the range of results has been applied across the total mix of Welsh Government and local authority administered schemes. The estimates are based on the emerging evidence to date, so may not be representative. For the higher end estimate of 4.17% that flows from one of the Welsh Government administered schemes, the

⁷ There are different contexts to the analysis of fraud and error for grant schemes administered in other parts of the UK, with certain limitations also being identified in those cases. For three initial grant schemes, the UK Government's Department for Business, Energy and Industrial Strategy estimated in its Annual Report and Accounts 2020-21 a level of fraud and error of 8.9% (this was a central estimate based on a range from 4.4% to 13.4%). The Department noted that it expected the level of fraud and error to be lower for some other schemes that had not been assessed at the time. In its Consolidated Accounts for the Year Ended 31 March 2021, the Scottish Government set out evidence which led it to express its confidence that '...a reasonable estimate of fraud can be no more than 1-2%...'

⁸ This £893 million base includes the £318 million of Welsh Government administered ERF support and £575 million across the later phases of local authority administered support (see **Exhibit 1** and **Appendix 1**).

⁹ The Welsh Government has emphasised to us that this figure on recovery relates only to that resulting directly from Post Completion Monitoring. We understand that some funding has been voluntarily returned for various reasons but is not included in this figure.

number of Post Completion Monitoring survey responses informing the current estimate is a small fraction of the total number of awards (see **Appendix 1**).

- 40 For the lower end estimate that flows from the results reported by local authorities, we note that some local authorities that have submitted returns have not reported any cases of fraud or error. A complete absence of any cases of fraud and error would seem unlikely in practice, albeit that such cases may not have been identified to date. We have noted in **paragraphs 33 to 35** the limitations in the initial data matching undertaken through the NFI and that in one case where additional checks have been conducted this has identified additional cases of fraud or error.
- 41 Despite these limitations, and in the context of a materiality level of £175 million for the Welsh Government's 2020-21 Consolidated Accounts, the Auditor General noted in his report that he is satisfied that there is sufficient evidence to conclude that the rate of fraud or error does not constitute material expenditure.

How is the Welsh Government evaluating the impact of its financial support?

- 42 The Welsh Government has commissioned research to help evaluate its COVID-19 economic interventions through the Economic Resilience Fund and related support packages, including the loan funding provided through the Development Bank of Wales. It is important for the Welsh Government to understand the impacts of this support and how far it has assisted business survival and recovery prospects. The research, by Economic Intelligence Wales¹⁰, can also inform the design and delivery of any future support. The overall research programme, which we understand is costing around £240,000 excluding VAT in total, seeks to:
- examine the impact generated by interventions put in place;
 - explore how these funds employed in Wales worked together with UK-wide initiatives to safeguard economic activity in Wales;
 - provide a gross level summary of outcomes from the selected interventions; and
 - provide a value for money assessment in relation to cost per job safeguarded by the interventions.
- 43 Economic Intelligence Wales have published two reports so far^{11, 12}. We understand that a further three reports are planned – in autumn 2022, spring 2023 and winter 2023. The scope, findings, and conclusions from the two reports to date

¹⁰ Economic Intelligence Wales is a collaboration between the Development Bank of Wales, Cardiff University Business School, and the Office for National Statistics.

¹¹ Economic Intelligence Wales, [Covid-19 Welsh Government financial interventions: An analysis of Welsh beneficiaries](#), December 2020

¹² Economic Intelligence Wales, [Covid-19 Welsh Government financial interventions: An analysis of administrative and beneficiary survey data](#), April 2022

are best considered in their full context and we have not sought to summarise them in this memorandum. The reports point to some positive findings about the importance and impact of Welsh-led interventions alongside UK Government support. They also emphasise certain caveats and highlight areas for further research and analysis in the context of what is a longitudinal research programme.

Appendix 1

Breakdown of grant and rate relief support

Financial information is taken from Welsh Government's financial ledger for the period April 2020 to March 2021. There are some inconsistencies between this and other information in the public domain which the Welsh Government has noted is likely to reflect differences in timing between data sources, particularly where data crosses financial years.

Economic intervention	ERF phase	Expenditure accounted for in 2020-21 (£ millions)	Administered by	Dates scheme operated	Number of awards
NDR Grant	N/A	730 ¹	Local authorities	March to June 2020	66,252
Rates Relief for retail, leisure, and hospitality	N/A	356	Local authorities	N/A	Not available at time of drafting
Micro Business Resilience Grant	Phases 1 and 2	90	Welsh Government	April to July 2020	9,094
SME Business Resilience Grant	Phases 1 and 2	92	Welsh Government	April to July 2020	2,527
Non-SME Business Resilience Grant	Phases 1 and 2	17	Welsh Government	April to July 2020	52

Economic intervention	ERF phase	Expenditure accounted for in 2020-21 (£ millions)	Administered by	Dates scheme operated	Number of awards
Bursary & Discretionary Fund (Start Up)	Phases 1 and 2	4	Local authorities	June to September 2020	1,641
ERF3 Micro Business Development Grant	Phase 3	9	Welsh Government	October to November 2020	1,025
ERF3 SME Business Development Grant	Phase 3	19	Welsh Government	October to November 2020	805
ERF3 Tourism and Hospitality Grant	Phase 3	19	Welsh Government	October to November 2020	
Local Lockdown Business Fund	Phase 3	139	Local authorities	October to November 2020	54,852
ERF Sector Specific Funding Micro Business Restrictions	Phase 4	24	Welsh Government	January to February 2021	4,424
ERF Sector Specific Funding SME Business Restrictions	Phase 4	22	Welsh Government	January to February 2021	1,140
ERF Sector Specific Funding Non-SME Business Restrictions	Phase 4	1	Welsh Government	January to February 2021	9
NDR Business Restrictions Fund	Phase 4	282	Local authorities	December 2020 to March 2021	123,382
NDR Business Restrictions March	Phase 4	150	Local authorities	March 2021	
ERF Sector Specific Funding Phase 2 SME	Phase 4	23	Welsh Government	March 2021	1,142

Economic intervention	ERF phase	Expenditure accounted for in 2020-21 (£ millions)	Administered by	Dates scheme operated	Number of awards
ERF Sector Specific Funding Phase 2 Non-SME	Phase 4	2	Welsh Government	March 2021	8
Total		1,979			266,353²

Notes:

¹ As set out in **paragraph 1** of this memorandum, this sum of £730 million should have been accounted for in 2019-20. The Welsh Government does not agree and included this expenditure in its 2020-21 financial statements. The Welsh Government also accounted for £42 million of NDR grant support in 2019-20 which is not in the £730 million.

² A figure for the number of unique businesses supported across all schemes in 2020-21 is not readily available.

Source: Welsh Government financial ledger, Audit Wales review of other contextual information and Welsh Government management information (unaudited) on the number of awards.

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Welsh Government workforce planning and management

Report of the Auditor General for Wales

September 2022



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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Key messages

Background

- 1 The Welsh Government has faced some unprecedented staffing challenges associated with Brexit transition and the response to the COVID-19 pandemic. These national events have escalated the importance and impact of effective workforce management.
- 2 This report considers whether the Welsh Government has a sound approach to workforce planning. We looked at the main issues shaping the Welsh Government's current workforce, its response to short-term pressures and priorities, and its longer-term initiatives to develop a workforce strategy and better information systems. We completed our evidence gathering before the Welsh Government restructured into new groups¹ and introduced a new Chief Operating Officer role from April 2022. **Appendix 1** describes our audit approach and methods.

Overall conclusion

- 3 The Welsh Government has faced significant operational workforce pressures. It has sought to contain staff costs and manage a reduction in staff numbers, while pursuing its policy programmes and responding to events, especially the COVID-19 pandemic. At times these workforce pressures have impacted the Welsh Government's ability to deliver its objectives and some functions are not resilient.
- 4 The Welsh Government has been managing these pressures in the absence of a formalised strategic workforce plan and with limited external recruitment. Progress in developing a more strategic approach was delayed by the COVID-19 pandemic. The Welsh Government is reinvigorating this work and intends to develop a workforce strategy that is integrated with other key organisational strategies around home working and use of digital technology. In doing so, it will also need to improve its use of data to underpin its strategic and operational workforce management.

1 Groups are the way the Welsh Government structures itself. Each group is sub-divided into directorates, divisions, branches, and teams.

Key findings

- 5 Since 2010, the Welsh Government has sought to contain its running costs during a period of financial constraint by limiting staff numbers through stringent controls on the creation of new posts and on external recruitment, especially for permanent staff. The full-time equivalent workforce was 9% smaller in 2021-22 than in 2009-10, despite a modest increase since 2017 to cope with the most urgent demands of Brexit and the COVID-19 pandemic. Overall staff costs fell in real terms after 2010 but have now returned to their 2009-10 level. Real-terms salary costs have fallen by 6.6% over the period, but total staff costs rose by 0.3% due mainly to higher pension and National Insurance contributions.
- 6 The result has been a relatively stable, experienced workforce that has had to adapt to rising workload pressures, especially the exceptional challenges of the COVID-19 pandemic. Staff have benefited to some extent from career development opportunities within the relatively closed workforce. Staff survey results have generally been favourable, although rising workloads have put pressure on many staff.
- 7 The current position creates longer-term challenges for the Welsh Government as the workforce ages. Low staff turnover coupled with recruitment controls makes it difficult to diversify the workforce so that it is representative of the broader Welsh population, or to bring in fresh talent, new perspectives and key skills, even when external recruitment would yield financial savings. The proportion of staff who are disabled and from ethnic minority groups have both risen slightly. But both are still some way from reflecting the diversity of the population. There has been limited progress in closing the gender pay gap.
- 8 Workforce pressures have made it difficult for the Welsh Government to achieve some of its policy ambitions. Several programmes and projects have been delayed due to staff shortages and some policy areas are not resilient. To date, the Welsh Government has managed these challenges through reactive measures to meet pressing short and medium-term needs, alongside a tightening of central control over budgets and workforce decisions, especially recruitment.

- 9 The Welsh Government has run some strategic organisational development initiatives but has never had a strategic workforce plan. It has been progressing efforts to develop a strategic plan since 2019. It has produced a baseline review of the workforce and a set of strategic principles for future planning. However, the work has been repeatedly delayed by the COVID-19 pandemic. Over recent months, senior managers have sought to assess in more detail the implications of the pandemic for future ways of working. Gaps in data and fragmented systems have made the process of workforce planning more difficult, though improvements to information systems are being planned.
- 10 Officials plan to develop an overarching workforce strategy during 2022-23, aligned to new workplace and digital strategies. Under a new Workforce Delegation and Accountability Framework, groups will develop workforce plans and will gain greater autonomy, potentially addressing some of their concern about the inflexibility and delays in the current system of recruitment controls and central budgeting. The new Framework presents a new challenge to groups to step up their workforce planning.



Like many other public bodies, the COVID-19 pandemic has had a significant impact on the Welsh Government's workforce as its staff have had to adapt to new ways of working and rapidly changing priorities. However, the need for a comprehensive strategy to deal with long-term workforce challenges in a sustainable way is increasingly pressing. The Welsh Government faces a challenging workload to deliver its programme for government, while dealing with the aftermath of the pandemic and new responsibilities arising from Brexit.

Adrian Crompton
Auditor General for Wales



Key facts

Workforce numbers and costs

5,571 average number of full-time equivalent staff employed by the Welsh Government in 2021-22

£351 million total staff costs in 2021-22

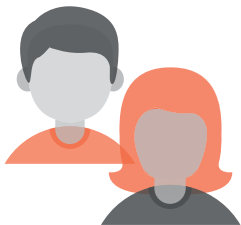


0.3% real terms increase in staff costs between 2009-10 and 2021-22 (reduction of 6.6% in salary costs, increase of 24.4% in other staff costs)



9% reduction in full time equivalent staff between 2009-10 and 2021-22

Workforce diversity (2020-21)



59% percentage of staff who are female

43% percentage of senior staff who are female

7.4% gender pay gap



2.8%

percentage of staff from a non-White ethnic minority



5.9%

percentage of staff who are disabled

Staff survey (October 2021)

75% percentage of staff saying they had an acceptable work-life balance



63% percentage of staff saying they had an acceptable workload

50%

percentage of staff saying they had opportunities to advance their career



Recommendations

Recommendations

Strategy and planning

- R1** The Welsh Government should prioritise the development of its workforce strategy. In particular, this work needs to embed the sustainable development principle set out in the Well-being of Future Generations Act and cover:
- a a clear assessment of long-term future workforce needs to deliver on policy priorities as well as core statutory functions;
 - b a clear roadmap to bridge any gaps between the current workforce size and capabilities and the future needs, including any plans for alternative delivery mechanisms;
 - c a clear and robust process for prioritising workload within available resource limits;
 - d succession planning to ensure that the next generation of civil servants has the opportunity to enter the workforce and develop;
 - e alignment of the strategy with wider policy goals, notably to align the approach to recruitment with goals around equality, including reducing socio-economic inequality in Wales; and
 - f clear milestones for delivery and a robust system for monitoring and evaluating progress and updating the strategy in light of lessons learnt.

Recommendations

Management information

- R2** The Welsh Government should strengthen workforce data and underpinning systems to support workforce planning and day to day staff management, including enabling groups and managers to have better direct access to workforce data and reducing the reliance on manually collating workforce information.

Operational workforce management

- R3** The Welsh Government should review the Workforce Delegation and Accountability Framework two years after its introduction to evaluate its effectiveness in enabling more flexible and responsive workforce management, and its contribution towards the objectives of the wider workforce strategy.

Detailed report

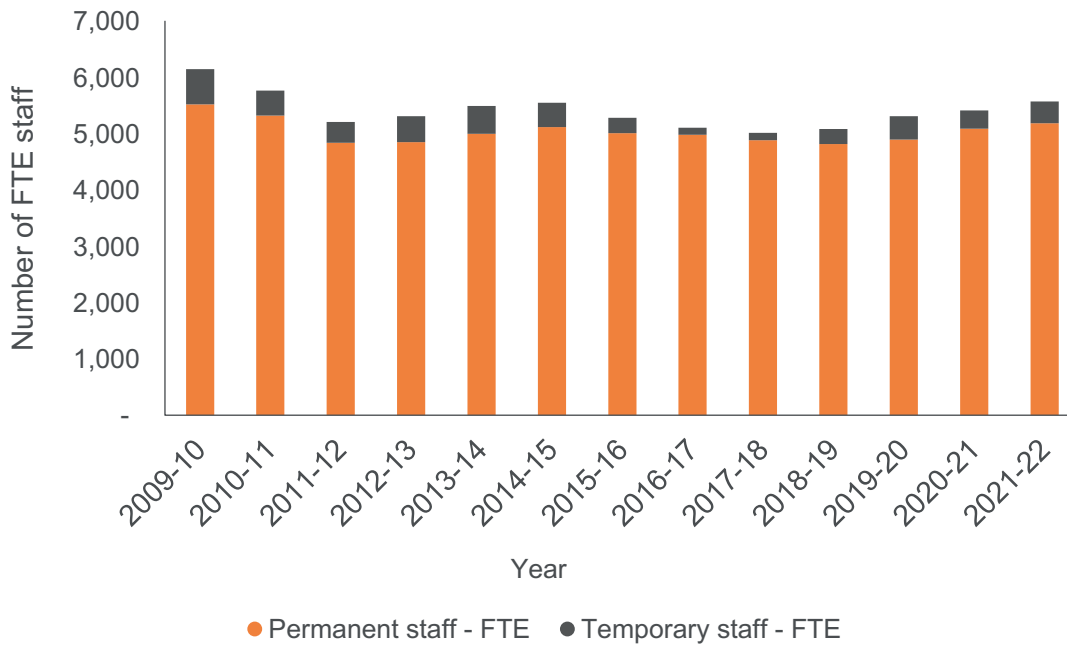
The Welsh Government's workforce has become smaller since 2010 as it has sought to contain staff costs

1.1 This part of the report describes the current profile of the Welsh Government's workforce and explains some of the main trends in its size, composition and cost over the last 12 years. The Welsh Government's workforce undertakes a wide range of work across many different professions, including policy development and operational delivery as well as support functions like legal, financial, procurement and ICT.

Despite some recent growth, the Welsh Government's workforce has decreased since 2010

- 1.2 The workforce increased significantly between devolution in 1999 and 2010. In 2010, UK Government policy switched from a policy of growth in spending to one of sustained constraint. The Welsh Government's funding fell in real terms over the period from 2010-11 until the start of the COVID pandemic, and the resulting budget cuts for devolved public services led to a significant reduction in the public sector workforce across Wales. The Welsh Government decided to reduce its running costs in real terms – with a consequential impact on staff numbers – to reflect these financial constraints and the trend elsewhere in the public sector.
- 1.3 While staff numbers have fluctuated since 2009-10, especially for temporary staff (**Exhibit 1**), the Welsh Government has maintained the policy of containing staff numbers. Staff transfers into and out of the Welsh Government due to organisational changes have affected staff numbers to some extent. For example, some staff were transferred out from the Welsh Government following the creation of Transport for Wales while new staff were brought in following the in-sourcing of the Welsh Government's ICT service in 2019.
- 1.4 Recently there has been some increase in the number of staff to meet additional requirements arising from Brexit and the COVID-19 pandemic (see part 2 of this report). Nonetheless, average full-time equivalent staff numbers in 2021-22 were 9% lower than in 2009-10. On average during 2021-22, the Welsh Government employed 5,571 full-time equivalent staff, of whom around 7% were on temporary contracts.

Exhibit 1: Welsh Government full-time equivalent (FTE) staff numbers, 2009-2022



Note: these figures are the average for the year based on the monthly data reported by the Welsh Government and exclude ministers' special advisors.

Source: Welsh Government, [Number of staff at the Welsh Government](#), accessed 28 July 2022

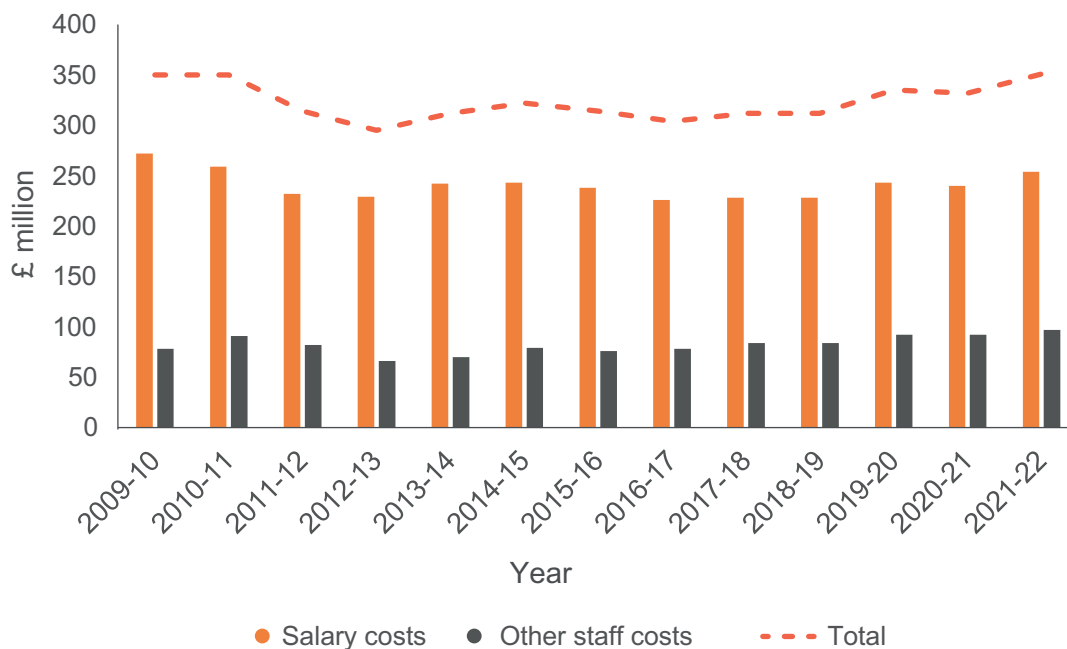
Overall staff costs fell in real terms after 2010 but have now returned to their 2009-10 level, due mainly to rises in National Insurance and pension contributions

- 1.5 The Welsh Government managed much of the workforce reduction through successive voluntary exit exercises. Between April 2010 and March 2021, 1,544 staff left the Welsh Government with severance or early retirement packages, of which all but 12 were on voluntary terms. The total cost was £72.1 million at an average of £46,687 per employee. Most of these exits occurred early in the period, with 637 in 2010-11 alone.
- 1.6 Staff costs² have been curtailed, although not necessarily in line with staff numbers. Total staff costs were £351 million in 2021-22, 26% higher than in 2009-10 in cash terms. However, once inflation³ is factored in, real terms spending on staff costs fell after 2010, started to rise from 2017-18, and was only 0.3% higher in 2021-22 than 2009-10 (**Exhibit 2**). Salary costs were 6.6% lower while other staff costs rose by 24.4%, due mainly to rises in pension and National Insurance contributions (**paragraph 1.7**). The Welsh Government's salary scales have risen by less than inflation over the period, but the average salary has risen slightly in real terms as the proportion of staff in more senior grades has increased (**paragraph 1.8**).

2 Staff costs in this section are derived from Welsh Government annual accounts for the period, excluding subsidiaries. The 2021-22 data is from the unaudited draft accounts. See notes below Exhibit 2 for further information.

3 On the basis of the GDP deflator measuring prices across the whole economy, HM Treasury, GDP deflators at market prices, and money GDP June 2022 (Quarterly National Accounts), June 2022. This shows inflation of 25.3% over the period 2009-10 to 2021-22.

Exhibit 2: Welsh Government staff costs in real terms, 2009-2022 (2021-22 prices)



Notes:

Costs are for the Welsh Government departments only, excluding subsidiaries.

Salary costs include some non-salary costs like allowances, overtime and voluntary exit payments. We have adjusted salary costs reported in the accounts to remove changes in annual leave balances accrued by staff, which had increased to £15.2 million in 2021-22.

Other staff costs include employer’s National Insurance contributions, employer’s pension contributions and changes in pension liabilities. Pension liabilities relate to early retirement provisions and obligations to staff who have transferred into the Welsh Government from other bodies but have retained their membership of their previous employer’s pension scheme. These liabilities fluctuate from year to year and varied between £3.9 million and £23.6 million in real terms during the period.

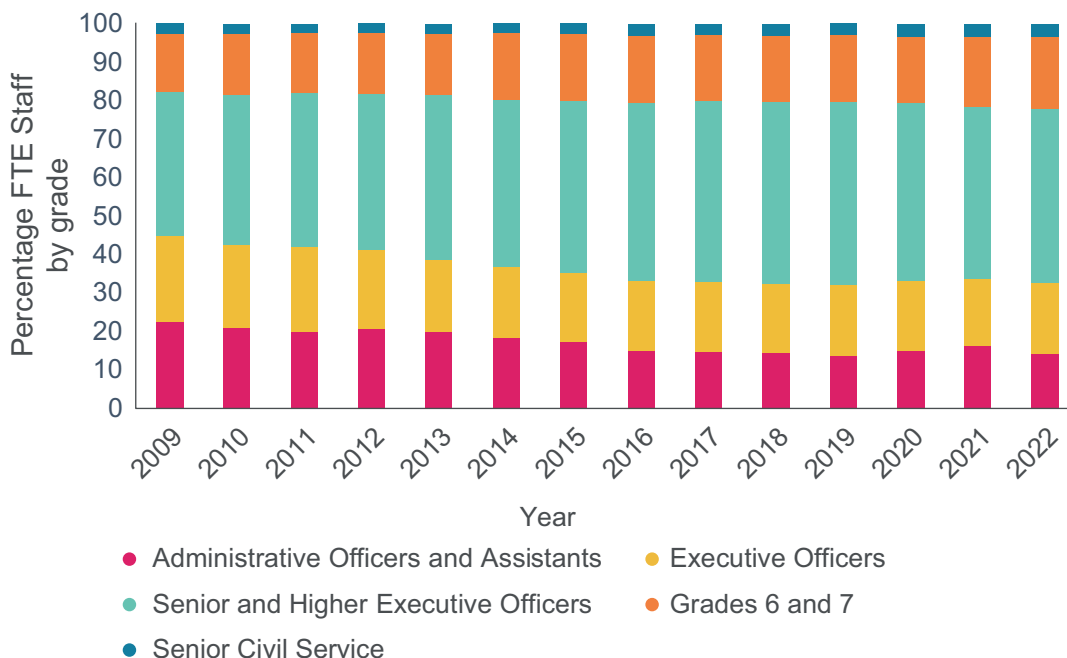
Source: Welsh Government Consolidated Accounts, 2009-10 to 2021-22 (draft unaudited accounts for 2021-22 data)

- 1.7 Costs are affected by the number of staff, their grade, their position on their pay scale and pay settlements negotiated with trade unions. Headline pay increases have been restrained, often below inflation. However, other factors have put upward pressure on costs. These factors include:
- increases in employer pension contributions for the Principal Civil Service Pension Scheme (employee contributions have also increased). Total pension costs increased by 54% in cash terms between 2009-10 and 2021-22.
 - the abolition of the contracted-out rebate for employer's National Insurance contributions in 2016-17, which increased the Welsh Government's cost by around a quarter. Total National Insurance costs increased by 59% in cash terms between 2009-10 and 2021-22.
 - the payment of guaranteed salary increments to most staff, provided they are assessed as being effective in their roles, until they reach the top of their pay scale (typically within two to six years). This policy – agreed with the trade unions – has been in place for many years to ensure equal pay for staff in the same grade.
 - a change in the grade mix (**paragraph 1.8**).

The Welsh Government's workforce is getting older, more senior and more diverse in some respects

- 1.8 The proportion of staff in more senior roles has increased in the last ten years (**Exhibit 3**). This shift gradually took place between 2013 and 2016 and the proportion of staff in each grade has stayed broadly the same since 2016.

Exhibit 3: staff by grade as a proportion of total full-time equivalent staff, 2009-2022



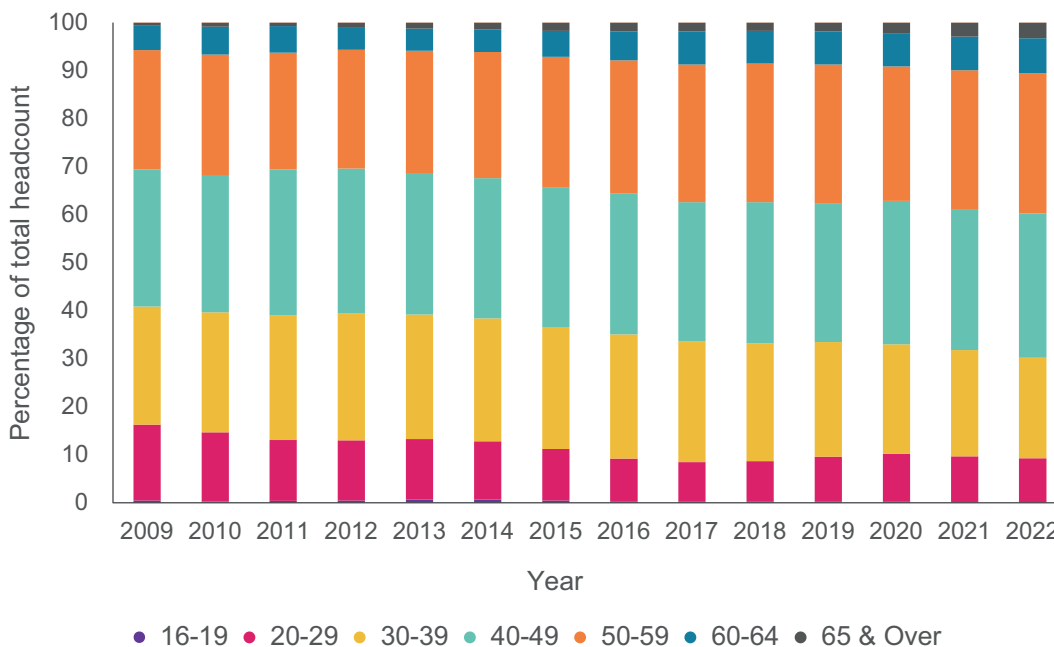
Note: The data reflects the position on 31 March of each year.

Source: Audit Wales analysis of [Civil Service statistics: 2009 to 2022](#) (Statistical tables, table 21)

1.9 The Welsh Government has frozen external recruitment for permanent staff, other than for certain specialist roles and some senior posts, for much of the period since 2009-10 (**paragraph 2.7**). There was also some external recruitment of temporary staff to cover the rise in Brexit workload (**paragraph 2.9**). External staff turnover has been subdued compared to wider civil service and labour market trends and was only 3.4% in 2020-21. However, there was a buoyant internal market during this period as staff competed for posts through internal recruitment. As a result, there was frequent turnover of staff within the Welsh Government until the COVID-19 pandemic. From April 2020, senior management restricted staff transfers to those required to meet the immediate needs of the organisation to deal with the pandemic and other critical tasks.

1.10 The limited recruitment of staff externally has also contributed to an ageing workforce, with 40% of staff over 50 years old and only 9% aged between 16 and 29 years (**Exhibit 4**). The proportion of staff within the higher age ranges has steadily increased over the last ten years.

Exhibit 4: percentage of total staff (headcount) by age range, 2009-2022



Note: The data reflects the position on 31 March of each year.

Source: Audit Wales analysis of Civil Service statistics: 2009 to 2022, (Statistical tables, table 39)

1.11 The Welsh Government has sought to increase the diversity of its workforce by increasing the proportion of staff who are disabled or from an ethnic minority background, but progress has been slow due to limited external recruitment. The proportion of staff are disabled has increased from 4.4% to 5.9% between 2010-11 and 2020-21 and the target of 5.8% was achieved in 2019-20. The proportion of the working age population in Wales with a disability is around 22%⁴. The proportion of staff from ethnic minorities rose from 2.2% to 2.8% over the same period, exceeding the target of 2.5%, but still below the average of 4.9% for the population of Wales reported by the Welsh Government⁵.

4 Office for National Statistics, Annual Population Survey, year to September 2021 (from StatsWales: [disability status by region](#))

5 The Welsh Government’s StatsWales website reports that 4.9% of the population are from a Black, Asian or minority ethnic background. This figure does not include white ethnic minorities, such as travellers. The Office for National Statistics reports ethnic minorities as all groups other than ‘White British’. Using this definition, the ethnic minority population is around 7.8%.

- 1.12 The Welsh Government has a target of recruiting 20% of externally appointed staff from each group (disabled people and those from an ethnic minority) by 2026 to help increase representation. In 2019-20, 5.9% of external applicants were disabled and 7.2% were from an ethnic minority group.
- 1.13 Low turnover of staff in senior grades has made it more difficult to reduce the gender pay gap⁶, which was 7.4% in 2020-21, similar to previous years. Around 59% of staff are female, but the proportion falls to 43% of the senior civil service, almost unchanged from the 42% in 2010-11. This imbalance in the higher paid senior roles accounts for much of the gender pay gap.
- 1.14 The Welsh Government aims to become a bilingual organisation by 2050 in which all its staff can at least understand Welsh. In 2020-21, 24% of the Welsh Government's staff could understand Welsh at the level required for bilingual working. Staff surveys show that fluency in Welsh has been fairly stable at 16-17% of staff for several years, but there has been a reduction in the proportion of staff who have no Welsh language skills at all.

6 The gender pay gap is the difference between the average basic full-time salary of women as a percentage of the average basic full-time salary of men employed by the Welsh Government. The calculation does not include allowances or overtime.

The Welsh Government has had to manage operational workforce pressures which have impacted on the delivery of its objectives

2.1 The part of the report looks at the Welsh Government's operational workforce planning⁷ and management. It considers how the Welsh Government has responded to changing priorities and the impact of workforce pressures on delivery and staff welfare.

The arrangements for operational workforce planning have been increasingly centralised, partly as a response to COVID-19

2.2 Operational workforce planning in the Welsh Government is mainly done at group level. In April 2022, the Welsh Government restructured into six groups, one to be headed by a newly created post of Chief Operating Officer (**Exhibit 5**). The restructuring has resulted in a more even distribution of staff between the main groups. The Chief Operating Officer's Group will include internal services as well as Care Inspectorate Wales, Healthcare Inspectorate Wales and Planning and Environment Decisions Wales⁸. Each group is sub-divided into directorates, divisions, branches and teams.

7 Operational workforce planning is the process by which an organisation plans the size, deployment and development of its workforce over the near-term, typically 3 to 12 months.

8 At the time we carried out our fieldwork, there were four groups plus the Office of the First Minister. The groups were: Economy, Skills and Natural Resources (the largest with almost 40% of staff resources); Education and Public Services; Health and Social Services; and the Permanent Secretary's Group. The Office of the First Minister included cross-cutting policy teams, and the Permanent Secretary's Group included certain internal services such as central finance and HR.

Exhibit 5: full-time equivalent staff by group, 30 April 2022

		Number	%
HSS	Health and Social Services	753	13.4
CCRA	Climate Change and Rural Affairs	1,399	24.8
ESJWL	Education, Social Justice and Welsh Language	785	13.9
ETC	Economy, Treasury and Constitution	1,174	20.8
CRLG	Covid Recovery and Local Government	149	2.6
COOG	Chief Operating Officer's Group	1,254	22.3
OFM	Office of the First Minister	104	1.8
PSO	Permanent Secretary's Office	16	0.3
	Total	5,634	100.0

Source: Welsh Government

2.3 Until the start of the COVID-19 pandemic in March 2020, groups were responsible for operational planning within an organisation-wide framework set by the central finance and HR functions. Salaries and other terms and conditions are set centrally following negotiation with the Welsh Government's recognised trade unions. Many other HR policies, such as the use of temporary duties allowances and temporary promotion, are also agreed centrally and groups have no freedom to diverge from them.

- 2.4 While arrangements varied between groups, each typically had an operations director to oversee the management of resources, including staff. The operations director chaired a committee (known as a resource panel) to consider priorities and make decisions on staff deployment accordingly. Each group had dedicated HR business partners to provide advice on workforce planning, job design, performance development and well-being, as well as administrative services. Within groups, directors were able to allocate their own staff to ensure priorities were met and would revert to the resource panel if they needed additional staff. If requests could not be met within the group, the group resource panel would seek approval for additional resources from the Welsh Government's Executive Committee⁹.
- 2.5 When deciding on whether to approve requests to the Executive Committee for new posts or additional staff, group resource panels would consider such factors as:
- how the role contributed to achieving goals, strategies and priorities;
 - alternative solutions to additional staff, such as merging posts, temporary duties allowances etc;
 - the risks if the bid were not approved; and
 - the cost of the job and how it would be funded. Programme funded posts (those where costs are met from the programme budget) were more likely to be approved than those funded from the Welsh Government's central administrative costs budget.
- 2.6 In 2018, the Welsh Government centralised its staff cost budgets, which had previously been delegated to groups. Groups continued to work within headcount limits set centrally. The headcount controls cap the number of staff in each group but do not specify the grade of these posts. However, the headcount limits are set at a level well in excess of the numbers actually in post, so they have had no practical impact on workforce planning. In practice, groups' freedom to act has been constrained by budgetary and policy constraints (for example, on recruitment and temporary promotion) that are managed centrally.
- 2.7 All external recruitment for permanent jobs had to be authorised centrally from 2018 and was generally limited to senior or specialist posts. In 2019, the Welsh Government centralised recruitment and case advice as part of a pilot project aimed at providing a more efficient and consistent service.

9 The Executive Committee is part of the senior management structure for the Welsh Government. The Executive Committee aims to provide strategic leadership and assurance that the Welsh Government's programme for government is delivered and ensure that resources are prioritised and deployed effectively.

2.8 Since the start of the pandemic, the autonomy of groups has been further reduced and replaced with strong central control over resourcing decisions. The Welsh Government's executive leaders decided that the scale and urgency of staff redeployment required to meet the needs of the pandemic were such that decisions should be directed centrally. The Executive Committee has made decisions on resource allocation and staff management in cooperation with groups. At the same time, staff were directed to move to new posts on a temporary basis, and internal competitive recruitment was suspended to ensure that resourcing requirements were met swiftly and efficiently. These arrangements largely ended from January 2022 as COVID-related pressures eased, when the Welsh Government resumed internal competition for priority roles and lateral moves.

The Welsh Government has reacted to changing priorities primarily by moving staff around, with limited external recruitment

2.9 Before the COVID-19 pandemic, the arrangements set out above had enabled groups to respond to priorities and gaps by moving staff around. The Welsh Government re-allocated staff to manage the pressures posed by Brexit (**Exhibit 6**). While there was some limited external recruitment, much of it temporary¹⁰, most of the Brexit-related preparations were led and carried out by staff moved from other substantive roles within the Welsh Government. In February 2019, we set out the views of officials that the movement of staff to Brexit related roles had left gaps in the delivery of non-Brexit work¹¹.

10 The number of temporary full-time equivalent staff rose by around 280 in the two years to 31 March 2020, to recruit for specialist posts and to backfill gaps caused by the redeployment of experienced permanent staff to Brexit-related work.

11 Auditor General for Wales, Preparations in Wales for a No-deal Brexit, February 2019

Exhibit 6: workforce pressures arising from Brexit

Preparations for Brexit required substantial staff time to review and amend legislation and develop plans for the transition to new trading and border arrangements. All groups faced significant additional workloads, with the Economy, Skills & Natural Resources (ESNR) group and the Office of the First Minister most affected. For example, the ESNR group reported that it delivered 40 pieces of legislation and 75 readiness projects by the end of 2020-21 against rapidly changing timescales and considerable uncertainty in the pre-Brexit period.

The work also greatly increased demand on the Welsh Government's legal staff, who had to deal with a fast-changing and complex situation and ensure that there were no gaps in regulations when EU law stopped applying. A modest increase in the number of lawyers was not sufficient to deal with the additional workload, so some policy work needed to be reprioritised.

Brexit has resulted in 3,500 new legal responsibilities for Welsh Ministers within ESNR's remit. These responsibilities could require significant staff resources, depending on how Ministers choose to exercise them. The end of European agricultural, structural and investment funds in Wales could release around 250 staff but will be replaced by UK or Welsh Government schemes whose resource implications are uncertain at present. The European structural and investment programmes will continue to operate in Wales until the end of 2023 so any dividend in terms of staffing will not emerge immediately.

- 2.10 The response to the COVID-19 pandemic has also required a huge shift of resources from business-as-usual work. Almost all areas of Welsh Government activity have had to adapt policy and practices, often at exceptional speed. The pandemic has led to particular demands for staff with in-depth experience of policy and government business, as well as legal, analytical and communications expertise.

- 2.11 The Welsh Government reported in its 2019-20 accounts that around 80% of its staff had been working on the pandemic, either in a new role or because their own role had substantially changed. Throughout the period, the pandemic response has been the top priority and other work has been deferred to re-allocate resources. After the first wave of the pandemic, the Welsh Government identified 73 critical roles in autumn 2020, mostly in the Health and Social Services Group, that were filled by moving staff from elsewhere in the organisation. In the ESNR Group, 450 staff were moved to new COVID-19 specific roles and 60 staff were moved to roles elsewhere in the organisation, while 75% of the group's staff were engaged in COVID-19 related work on a full-time or part-time basis. Other groups also faced pressures and had to redeploy staff to COVID-related work.
- 2.12 Where the approach of moving existing staff within the Welsh Government has not been sufficient, the Welsh Government has sought additional staff. This has been from a variety of sources, mainly on a fixed term basis without recruiting permanently (**Exhibit 7**).

Exhibit 7: arrangements for temporarily filling staffing gaps

Loans from other UK Government departments	This is relatively straightforward to arrange and has the benefit that staff are familiar with civil service work, have already passed security vetting checks and already operate at the expected grade.
Secondments	Staff brought in from the NHS, local authorities or other public bodies in Wales, especially during the pandemic.
Agency staff and staff on fixed term contracts	<p>The Welsh Government has made increasing use of these arrangements to meet urgent requirements.</p> <p>Certain grades of directly recruited temporary employees may be converted to permanent status after 12 months if the need for their role is ongoing and budgetary cover is available to fund their employment. In addition, those recruited through a fair and open competition are eligible to apply for internally advertised permanent positions after 12 months.</p> <p>An internal audit in June 2020 found that the use of agency workers was not centrally controlled in a way that ensured value for money and compliance with the Agency Workers Regulations, which require agency staff to be offered the same basic terms and conditions as directly employed staff after 12 weeks in the job.</p>

Temporary duties allowances (TDAs)

There has been extensive use of TDAs, whereby staff are paid either a 10% salary supplement to undertake duties at the grade above their own, or a 5% supplement for undertaking additional duties at their substantive grade. Until January 2022, they were designed to cover temporary staffing gaps for a relatively short period, and could be filled quickly without the need for fair and open competition.

Senior staff have used TDAs to cover vacancies for extended periods without recruiting or promoting staff, and their use has grown, covering 13% of Welsh Government staff in January 2020.

The Welsh Government has agreed a policy with trade unions that individuals should not remain on TDA to the next grade for more than 12 months. However, they have been used for longer periods, increasingly so during the pandemic to meet urgent staffing requirements. The extensive use of TDAs has caused concern among staff and trade unions, as TDA recipients are not paid the full rate for the work they are doing and do not have the security of a permanent promotion.

The Welsh Government has sought to reduce the use of TDAs through assessment and development gateways, whereby successful candidates are assessed as fit for promotion to a higher grade and ultimately promoted. It has also agreed a new policy with the trades unions, which it will roll out during 2022-23. The policy aims to replace TDAs for higher grade work with formal temporary promotions with appropriate pay uplifts and clear end dates, which are opened up to a wider range of staff. However, TDAs remain in common use. An internal audit in August 2018 found that earlier efforts to curtail the use of TDAs were unsuccessful, as groups were not complying with guidance that TDAs should only be used in exceptional circumstances and must be approved centrally.

2.13 The Welsh Government's internal audit service has carried out reviews of secondments, agency workers and temporary duties allowances in recent years. It found administrative weaknesses arising from a range of factors including unclear or inconsistent guidance, inconsistent practice between groups, non-compliance with central guidance and a lack of central oversight. The audits were only able to provide limited assurance of effective governance, risk management and internal control in these areas.

- 2.14 There has been some external recruitment, largely from other parts of the civil service. Recruitment from outside the civil service has been limited to specialist posts, the Welsh Government entry-level apprenticeship scheme, and an exercise in autumn 2020 to recruit 20 senior officials at Deputy Director grade. Even for specialist posts, it can be hard for managers to obtain approval to recruit externally. For example, the ICT division has struggled to obtain permission to fill all posts in its target operating model. This has resulted in staff gaps and ongoing use of expensive consultants to cover roles that could be filled more cheaply through recruitment.
- 2.15 External recruitment is a time-consuming process that requires approval at group and organisational level that the post is necessary and affordable and that alternatives to external recruitment are not suitable. Once these approvals are obtained, the process of advertisement, selection and on-boarding begins. Resource pressures at any one of these stages can lead to delays. Senior managers in groups have expressed concerns about the length of the process and the effects of the resulting gaps on projects and services.

Workforce pressures have impacted on delivery in some areas and some functions are not resilient

- 2.16 The Welsh Government has struggled to resource all policy commitments to meet planned timescales. During the pandemic, particularly at peaks of the waves of infection, critical COVID-19 related roles took precedence over everything else. Unsurprisingly, this caused delays in delivering some of the 121 policy commitments in the 2016 to 2021 Programme for Government. The legislative programme for the 2020-21 session of the Senedd was scaled back, with other legislation deferred. The Government's legislative programme was under particular pressure due to a lack of specialist legal expertise and experienced policy professionals who are needed to pilot a bill through the various stages into law.

- 2.17 The activities affected have varied over time depending on relative priorities, with group risk registers indicating officials' concerns about several high priority projects at different times. For example, in January 2022, risk registers identified resource constraints as a risk to delivery of the Tertiary Education and Reform Bill, the Building Safety Programme, border controls at Welsh ports, the local government financial reform programme, the Additional Learning Needs project and policy work on second homes. There were no resources at all to take forward some other policy commitments. Officials have responded by discussing priorities with Ministers and deferring or scaling back work accordingly.
- 2.18 Resource constraints have had a significant impact on the progress of work that is not considered a short-term or high-impact priority, with various policy development projects being suspended or slowed at times. Many vacancies have not been filled, leaving some teams depleted and unable to pursue the full range of intended activity, focussing instead on the most essential tasks. In some cases, teams are reliant on a single individual to deal with important areas of work, creating resilience risks if that individual were absent or left the organisation.
- 2.19 There have also been fewer resources to undertake corporate functions such as HR, internal audit and risk management, and some senior staff have been unable to maintain their membership of audit and risk assurance committees due to other pressures. The pandemic also led to an increase in demand for some corporate functions, such as HR.
- 2.20 Ongoing statutory services have also been affected in several areas. For example, Care Inspectorate Wales and Healthcare Inspectorate Wales – which are part of the Welsh Government – have found it difficult to deliver their inspection programmes due to staff shortfalls and restrictions on recruiting to key posts. Healthcare Inspectorate Wales has managed these pressures by using TDAs and fixed term contracts, but the use of fixed term contracts has made some posts less attractive and harder to fill. The Welsh Government has now restored delegated powers to the two inspectorates to recruit externally.

2.21 Several of our own reports, and the work of the Welsh Government's internal audit service, have also indicated that staff shortfalls have sometimes had a detrimental impact on service quality or delivery, even before the disruptive effects of the COVID-19 pandemic (**Exhibit 8**). Reports by the Welsh Government's internal audit service before the pandemic have also highlighted issues resulting from staff shortages. For example, these include administrative failures that led to the withdrawal of two grant claims for EU technical assistance for the Rural Development Plan, and incorrect payments to staff in Qualifications Wales under a payroll services agreement.

Exhibit 8: examples of workforce issues raised in Audit Wales reports

Progress in implementing the Violence Against Women, Domestic Abuse and Sexual Violence Act (November 2019)	We found that a majority of organisations surveyed felt that guidance from the Welsh Government was too late to be useful and that they received limited support from the Welsh Government, partly because of resource constraints and frequent staff turnover in the relevant team of officials.
Managing the impact of Brexit on the Rural Development Programme in Wales (November 2018)	We found that a lack of staff capacity had stifled the Welsh Government's ability to open more schemes and thus expedite the use of EU rural development funding. In July 2018, there was a backlog of 132 projects still in appraisal stage.

Most staff continued to have positive views about their workload and work-life balance, but the Welsh Government has nevertheless been concerned about staff welfare

- 2.22 As noted in **paragraph 2.11**, the COVID-19 response has had a direct impact on the vast majority of Welsh Government staff. Throughout this period most staff have worked from home. Officials told us that many staff have increased their working hours substantially and have built up a backlog of annual leave and flexitime which will be challenging to manage. The Welsh Government was unable to quantify the backlog as it does not hold central data on leave or working hours, although it has a project underway to develop this data.
- 2.23 Senior managers have expressed concerns about the impact of these pressures on staff welfare in terms of fatigue, stress and mental health. In response, the Welsh Government has expanded its wellbeing support, provided extensive IT support for home working, established regular communication channels between senior managers and staff, and offered staff more flexible working arrangements to meet individual needs during the pandemic. The HR department has run several surveys to assess the overall position on staff health and wellbeing to inform the support package and identify areas of particular risk. These areas are targeted for bespoke HR support which may include additional staff.
- 2.24 Despite rising workforce pressures, staff survey results on key metrics have remained broadly positive (**Exhibit 9**). Scores for workload, work-life balance and access to learning and development in 2021 were broadly the same as 2018 and better than the scores for 2010. The proportion of staff who felt there were opportunities for career development increased markedly, although it dipped in 2021. Indices for employee engagement and leadership and managing change also improved over the period. Similar trends were evident across the UK civil service, with the Welsh Government scoring slightly above the civil service median on most questions, and much better on pay and benefits. Despite the broadly positive picture, the survey also shows that, in 2021, 21% of respondents disagreed with the statement that they had an acceptable workload.

Exhibit 9: selected Civil Service People Survey results for the Welsh Government

Questions	% positive ¹			
	2010	2018	2020 ²	2021
I have an acceptable workload	62%	63%	64%	63%
I achieve a good balance between my work life and my private life	71%	75%	73%	75%
I am able to access the right learning and development opportunities when I need to	65%	66%	68%	67%
There are opportunities for me to develop my career in the organisation	35%	49%	52%	50%
Theme scores³				
Employee engagement index	57%	64%	69%	68%
Leadership and managing change	31%	44%	62%	60%
Pay and benefits	57%	56%	64%	60%

Notes:

- 1 Percentage of respondents answering 'agree' or 'strongly agree' to the statements. The table shows the three most recent surveys in which the Welsh Government participated (2018 being the last before the COVID-19 pandemic) and the 2010 survey at the start of the period of financial constraint that led to a reduction in the Welsh Government's workforce.
- 2 The Civil Service People Survey is run in October each year. In 2020, the survey was run about six months after the onset of the COVID-19 pandemic. Response rates for the Welsh Government were 68% in 2010, 73% in 2018, 63% in 2020 and 67% in 2021.
- 3 Each theme score represents the average for each question within the group of questions for the relevant theme. The average for the engagement index is calculated differently to the other theme scores.

Source: Civil Service People Surveys

2.25 Annual rates of sickness absence have fluctuated since 2010 at between 6.9 and 8.1 working days per employee. Levels of sickness absence fell sharply to 5.1 days in 2020-21, but officials believe that this may reflect the impact of more flexible and hybrid working on recording and reporting of sickness absence.

The Welsh Government recognises the need for a more strategic approach and is developing a longer-term workforce strategy

- 3.1 This part of the report considers the Welsh Government's approach to strategic workforce planning. Strategic workforce planning is the process by which an organisation seeks to align its workforce with its strategic ambitions. The current workforce may need to change to meet an organisation's future needs, and strategic workforce planning provides a framework for assessing and delivering the changes required¹².

The Welsh Government recognises the need for a more coherent approach having not previously had a formalised workforce strategy, but progress has been delayed by COVID-19

- 3.2 The Welsh Government has never had a full and formalised workforce strategy and recognises the need for a more comprehensive approach to strategic workforce planning. In August 2019, the Welsh Government began a Baseline Review: a detailed analysis of the employed workforce which asked directors to comment on current priorities, resourcing capacity, internal and external pressures, and opportunities to take a different approach to delivering priorities.
- 3.3 The Executive Committee intended to use the Baseline Review findings (**Exhibit 10**) to develop options for the future purpose, size, shape and operating models of the devolved civil service, following engagement with Ministers and a wide range of staff groups. This would lead to a final proposal, with a funding bid included, for approval by Ministers in March 2020. This proposal would form the basis of a future workforce strategy.

12 According to the CIPD, the process should include: gaining a full understanding of the organisation and its current environment; analysis of the current and potential workforce; determining future workforce needs; identifying gaps between the current position and future needs; and taking actions to address those gaps (CIPD, Workforce Planning and Practice Guide, May 2018).

Exhibit 10: key findings of the Welsh Government's Baseline Review in autumn 2019

About what staff were doing	<p>The review showed that 42% of staff worked mainly in Ministerial policy roles, 41% on direct delivery to citizens or customers, and 17% in corporate function roles.</p> <p>Around 12% of staff time was spent on Brexit, although relatively few staff had full-time Brexit roles.</p>
Directors' views on the workforce situation	<p>Directors reported a range of concerns about workforce pressures, including a lack of resilience, gaps in specialist expertise, and the pressures created by Brexit and a challenging policy programme.</p> <p>Directors believed that these pressures created significant delivery, financial and reputational risks, with staff too thinly spread in many areas and a lack of time for managers to develop staff.</p>
Opportunities to work differently	<p>Suggestions focused on greater collaboration (internally and with external delivery partners) and cross-government working, with some sharing of some functions across public sector bodies.</p> <p>There were also suggestions to develop alternative delivery models and bring in flexible staff as secondees, contractors and agency staff.</p>

Source: Audit Wales analysis of Welsh Government data

- 3.4 The Welsh Government set up a Strategic Workforce Planning Reference Group (the reference group) in November 2019. The reference group comprised senior staff from across the organisation and representatives from trade unions and staff networks. Its goal was to take forward the issues identified in the baseline review and develop a future workforce strategy. The reference group suspended its work in early 2020 due to the COVID-19 pandemic.

- 3.5 Work resumed in October 2020 and the reference group agreed a set of strategic principles (**Exhibit 11**) that would guide the development of a future workforce strategy. The workforce strategy will sit alongside two other strategies that will also affect the workforce:
- a future workplace strategy, which will consider how the Welsh Government should re-organise its accommodation and facilities to meet changing ways of working; and
 - a future digital strategy, which will build on existing work to enable remote working and make best use of new technology.
- 3.6 The Welsh Government intends for these new strategies to build on the experience of the pandemic, reflecting changes in working patterns, new tools to work together and share information, and more staff working remotely.

Exhibit 11: summary of principles to shape Future Workforce Strategy 2021-2026 (draft, March 2021)

Our values

- Build an inclusive culture that values strength in difference
- Open, transparent and continued engagement with staff
- A 'digital first' approach to involve, communicate and share information with staff on future ways of working
- Work in partnership with trade unions colleagues

Delivery priorities

- Deliver a motivated, capable and resilient workforce that is structured to deliver the priorities of the cabinet
- Create more flexible resourcing arrangements to prioritise how resources are deployed
- Fair, open, robust and consistent approach to recruitment, promotion and career development opportunities
- External recruitment to attract essential specialist skills, lived experience and more diversity into the workforce
- Greater opportunities and permeability across the wider civil service and public sector in Wales
- Develop a more robust workforce data and analytics function to enable data-driven decisions at all levels of workforce planning

Leadership, performance and development

- Set clear expectations for inclusive, purposeful and inspiring leaders
- Continue to embed a strength-based, coaching approach to performance conversations
- Prioritise investment in learning and development to build the capability of our workforce in priority areas
- Develop a modern, accessible learning programme that addresses core capability gaps
- Invest in creating a strong and diverse pipeline of talent for the future

New ways of working

- Prioritise the health, safety and wellbeing of our workforce
- Accelerate Smarter Working practices, building on the advantages of remote working during the pandemic and addressing its less positive aspects
- Retain a 'virtual by default' principle for meetings to retain the equity of experience and opportunity to participate on equal terms

Delivering efficient and effective HR services

- Continue to build the HR function to support strategic workforce planning while delivering efficient and effective HR services for staff.

Source: Welsh Government

- 3.7 The Welsh Government had initially intended that a draft strategy and implementation plan would be considered by its Executive Committee in February/March 2021 and then finalised in the new Senedd term. This timescale has slipped, with ongoing disruption to the workforce due to the COVID-19 pandemic, and a desire by senior managers to assess in more detail the implications of the pandemic for future ways of working.
- 3.8 In March 2021, the reference group commissioned a second data gathering exercise (the workforce reset review) to update information obtained in the baseline review. Also in March 2021, the Welsh Government launched 'Let's Talk Reset', a staff engagement exercise which invited feedback from staff on their experiences during the pandemic and views on how staff should work in future. As part of 'Let's Talk Reset', the Welsh Government communicated to all staff a set of high-level goals, agreed by the reference group that would inform the development of the future workforce, workplace and digital strategies.
- 3.9 The Welsh Government has now decided to wait until the newly appointed Permanent Secretary has consulted staff more broadly on the direction of the organisation and future ways of working. Officials told us the strategy will be developed as part of 'Welsh Government 2025', the new Permanent Secretary's organisational development programme, which will be shaped by insights from the staff engagement process.

3.10 The Welsh Government has not yet developed an action plan for addressing the needs identified in the Baseline Review or achieving the strategic objectives that it has set for itself. However, there has been some progress through Welsh Government 2025 with the Welsh Government launching a Workforce Delegation and Accountability Framework in June 2022. The Framework will see greater delegation of workforce decisions to groups. The goal of the Framework is to ensure that accountability is clear and that decisions on staffing matters can be exercised at appropriate leadership levels across the organisation. Groups will be required to work within centrally set policy and budget parameters and undertake their own workforce planning.

The Welsh Government has pursued some strategic projects to develop its future workforce as part of other initiatives

3.11 In the absence of a formal workforce plan, the Welsh Government has been undertaking elements of strategic planning as part of various organisational initiatives. In 2016, the then Permanent Secretary launched the 'Future-proofing initiative'¹³, focused on building 'a strong, skilled and sustainable civil service for the Welsh Government'. The Welsh Government did not run the future-proofing initiative as a formal programme with specific objectives and targets, so it is not possible to assess the progress of the initiative against original plans.

3.12 The Welsh Government intended that the future proofing initiative would support cultural change, with a shift towards a more inclusive model of leadership and a trial of 'smarter working' practices that gave staff more flexibility in terms of working hours and location, using enhanced technology. There was a switch in emphasis towards people-centred change and the development of behaviours, compared with the organisational and structural changes that had been the focus of activity previously.

3.13 There have also been a range of other strategic workforce initiatives, some looking at specific themes like Welsh language and Brexit. Individual Groups have also carried out some initiatives looking at their own future workforce needs. **Exhibit 12** sets out some examples of the strategic workforce initiatives carried out over recent years, including under the future proofing initiative.

13 The initiative identified four key areas to focus on: aligning ways of working with the Programme for Government and essential/statutory business; supporting and developing leadership; improving learning and development to equip the workforce for now and the future; and creating a robust and developmental approach to performance management.

Exhibit 12: examples of strategic workforce initiatives

Leadership development and talent management



Fast Stream; Future Leaders Scheme; and Senior Leaders Scheme. A range of targeted internal development schemes are available in support of the organisation's objective to be an exemplar in equality, diversity and inclusion.

Talent management: the Welsh Government has developed a programme to provide training and challenging work experience opportunities for staff at SEO and Grade 7 level. Participants were selected in 2019 for a 3-year programme and hold a 'ticket' to secure an interview and compete for promotion.

Policy capability



A new Well-being and Future Generations division has been set up to support Welsh Government staff with the Well-being of Future Generations (Wales) Act 2015 and strengthen policy making capability. All recruitment and promotion exercises for the Senior Civil Service, and many other roles, now require candidates to have knowledge and understanding of the Act in the context of the organisation's work.

The Welsh Government developed a Policy Capability Framework, which includes the knowledge, skills and behaviours that Welsh Government expects of its policy professionals and is supported by a revamped Policy Education Programme that has recently been piloted. The framework has been designed to suit the particular requirements of Wales and is intended as a self-assessment tool, with teams identifying and acting on their own development needs when dealing with policy projects.

Thematic initiatives



The Welsh Government established a 'priority resourcing project' in November 2019 to deliver key resourcing interventions for the Executive Committee. These included focused workforce planning to identify post-Brexit resource requirements, developing a temporary posting policy and delivering a new assessment and development scheme for staff.

The Welsh Government aims to become a bilingual organisation by 2050 in which all its staff can at least understand Welsh. It has a long-term strategy¹⁴ to enable gradual progress towards this goal, starting with a five-year action plan to develop leadership skills, enhance services for Welsh learners, expand the importance of Welsh language skills in recruitment, and introduce new technology that will make it easier to use Welsh in the workplace.

The Welsh Government is developing plans to improve workforce information which currently does not meet the needs of effective workforce planning and management

- 3.14 Accurate and up to date information about the workforce is a key component of effective strategic and operational planning. The Welsh Government captures a range of information on its current workforce. **Exhibit 13** summarises the information provided by the most important systems and how it is reported for operational purposes. This data is drawn from several stand-alone systems that are not integrated and some of which have limited reporting functionality. Additional data is obtained as required from various other sources that are not maintained centrally.

Exhibit 13: summary of workforce data captured by Welsh Government systems

System	Information provided
<p>Appoint</p> <p>An e-recruitment and applicant tracking system that permits applications in English or Welsh.</p> <p>Applies to internal and external candidates including graduate programmes, internships, apprenticeship schemes and public appointments.</p>	<ul style="list-style-type: none"> • Recruitment activity and appointments, e.g. types of recruitment, number of applicants and appointments • Candidates' personal data, such as equality data (protected characteristics)
<p>Snowdrop</p> <p>The Welsh Government's main database for capturing and reporting staff details</p>	<ul style="list-style-type: none"> • Sickness records: amount and reasons for absence • Staff performance data • Personal details on age, gender, grade, length of service etc • Tracking changes to organisational structures
<p>Payroll services</p> <p>Provided under contract by CGI</p>	<ul style="list-style-type: none"> • Salary and allowances • Statutory deductions and payments
<p>MS CRM</p> <p>(Microsoft Customer Relationship Management)</p>	<ul style="list-style-type: none"> • Captures data via e-forms for people moves, temporary duties allowances and timesheets where applicable • Workplace adjustments
<p>Occupational health systems</p>	<ul style="list-style-type: none"> • Referrals for occupational health support
<p>Employee Assistance Programme provider system</p>	<ul style="list-style-type: none"> • High-level, quarterly management information on referrals
<p>Learning Lab</p>	<ul style="list-style-type: none"> • Learning, development and improvement activity undertaken or booked on Welsh Government's online platform

- 3.15 The ageing HR information system, Snowdrop, does not readily provide management information and went out of service in April 2022¹⁵. Managers are unable to interrogate data in real time and rely on the central HR department to collate it for them.
- 3.16 Some information is still held on paper files – for example, annual leave records – which means that officials cannot readily assess its likely impact on staff availability and the organisation’s financial liabilities. There is no central system for recording potential conflicts of interest. Internal audit reports have drawn attention to weaknesses in information systems for overtime payments and records of continuing professional development for economists. More generally, there is no comprehensive central database of skills and development needs, with varying levels of information held by individuals, teams and professional networks, as well as in an online learning portal known as Learning Lab.
- 3.17 The gaps in data and fragmented information systems make strategic workforce planning more difficult. Much of the data required for the 2019 Baseline Review and subsequent strategic workforce exercises needed to be collated from disparate sources. Key information about the type of work done by individuals (for example, whether they worked in policy, operational delivery or corporate functions) needed to be gathered from senior managers across the organisation as part of a one-off exercise.

15 Out of service means the system will no longer get updates, including security updates, and the developer will no longer provide support should there be any problems with the system. The Welsh Government has developed contingency plans to provide management information offline if the system fails after March 2022.

- 3.18 The Welsh Government began a project in 2020 to review its HR management information needs and develop plans for improvements. The objectives of the review are to provide a clear service offer for information users, standardise management information, provide clear interpretation, and develop efficient processes that automate reporting and include an ability to interrogate data. This is happening in three stages:
- development of finance and (sickness) case advice dashboards using PowerBI reporting software;
 - candidate profiling of employees who go through assessment and development gateways and analysis of their subsequent progression, providing data on equality, diversity and inclusion objectives; and
 - the same approach for external recruitment. Also, further improvements to provide automated, standardised reports for the key decision-making boards, and finalising the wider HR management information framework.
- 3.19 Much of this work has been completed. The Welsh Government has appointed a partner to develop a replacement for the HR information system and will continue to use the legacy system (despite it no longer being supported) until it is ready. It remains to be seen to what extent any new HR system can address the information gaps, particularly around skills and development needs, that have hindered workforce planning and management. The Welsh Government is also exploring the potential for an integrated payroll, finance and grants system to replace the current standalone systems. If successful, these measures could also provide some timely and useful data to support workforce planning.



Appendices

1 Audit approach and methods

1 Audit approach and methods

Workforce planning is a key consideration for all public sector organisations and can play a key role in transforming the way in which services are delivered. If done well, it enables an employer to understand its current and future workforce needs, to identify gaps in skills or numbers, and to take effective action to address those gaps. At a strategic level, it will be important for the Welsh Government to ensure it has the skills and capacity to respond to future demands and capitalise on opportunities such as digital transformation and flexible working practices.

Aware of wider workforce challenges facing the Welsh Government, this high-level review considered whether the Welsh Government has a sound approach to workforce planning. We have reflected on arrangements for operational workforce planning, the emerging approach to strategic workforce planning and the response to current workforce needs.

Our work was restricted to the Welsh Government's core costs and staff, including functions that have their own specific identity, for example the Welsh European Funding Office, Healthcare Inspectorate Wales, Care Inspectorate Wales and Cadw (the Welsh Government's historic environment service). The Welsh Government's Consolidated Accounts include data about staff numbers and costs across other organisations that are consolidated into its accounts, for example NHS bodies.

We engaged initially with Welsh Government officials about this work in late 2019. However, we adjusted our plans because of the ongoing COVID-19 pandemic to allow officials to focus on other priorities. We gathered and reviewed evidence on a staggered basis between October 2020 and March 2022. Annualised data is reported to March 2022 for staff costs and staff numbers, and to March or October 2021 for other metrics. This is the most recent data that we were able to confirm with the Welsh Government at the time of finalising the report. **Exhibit 14** sets out the audit methods we used.

Exhibit 14: audit methods

Document and data review

We reviewed:

- documents relating to the planning and delivery of strategic and operational workforce planning
- meeting papers of relevant committees and working groups, including the Executive Committee, Audit and Risk Assurance Committees and strategic workforce planning groups
- internal audit reports
- Welsh Government accounts and annual reports
- Civil Service People Survey results
- Welsh Government data on staff numbers and Civil Service workforce statistics
- the Welsh Government's Policy Capability Framework and related documents

Interviews

We carried out a range of interviews with staff involved in leading, planning and implementing workforce planning, including central HR staff and the operations directors of individual groups.



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Llywodraeth Cymru
Welsh Government

5th October 2022

Dear Auditor General

Audit Wales Report: Welsh Governments approach to workforce planning and management

I am writing in response to your publication of the above report. Please find enclosed a copy of the government response.

The report recognises the challenges facing the Welsh Government Civil Service and provided a timely, constructive and strategic input into our planning. You will note that we have accepted the range of recommendations which provide a helpful focus for our improvement work.

The recent global challenge of the Covid-19 pandemic and now the cost-of-living crisis have a significant impact on the First Minister's priorities for Wales and in turn the context, priorities and the constraints we need to operate within to manage our workforce. Through Welsh Government 2025, we have embarked on a significant programme of organisational development that will deliver a new workforce strategy and improvements to the way we are able to undertake workforce planning at a group and organisational level.

Some of your recommendations involve more technical improvements, such as implementing an upgrade to our core systems which will enable better management reporting. This will be delivered in a longer timeframe, while other improvements will be taken forward through work delivering in the months ahead. It may be helpful if we return to them over the next year. If you are agreeable, our respective teams can stay in touch to determine an appropriate point in time for an update.

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

A copy of this response goes to the Senedd's Public Accounts and Public Administration Committee for information.

Yours,

Andrew Goodall

Dr Andrew Goodall CBE
Ysgrifennydd Parhaol/ Permanent Secretary

Welsh Government Response to the report of the Auditor General for Wales into Welsh Government workforce planning and management (September 2022)

Strategy and Planning – Recommendation 1

The Welsh Government should prioritise the development of its workforce strategy. In particular, this work needs to embed the sustainable development principle set out in the Well-being of Future Generations Act and cover:

- a) a clear assessment of long-term future workforce needs to deliver on policy priorities as well as core statutory functions.
- b) a clear roadmap to bridge any gaps between the current workforce size and capability and the future needs, including any plans for alternative delivery mechanisms.
- c) a clear and robust process for prioritising workload within available resource limits.
- d) succession planning to ensure that the next generation of civil servants has the opportunity to enter the workforce and develop.
- e) alignment of the strategy with wider policy goals, notably to align the approach to recruitment with goals around equality, including reducing socio-economic inequality in Wales.
- f) Clear milestones for delivery and a robust system for monitoring and evaluating progress and updating the strategy in light of lessons learnt.

The Welsh Government has established a formal organisational development programme to focus our effort on making the changes to ensure we are fit for purpose. The organisation has been engaged in shaping the programme - **Welsh Government 2025** - over the summer with the formal oversight and governance, WG2025 Implementation Board chaired by our new Chief Operating Officer, Tim Moss now in place to drive action planning, implementation and evaluation. As part of Welsh Government 2025, we are developing a new workforce strategy that reflects the challenges facing the organisation now and, in the years, ahead.

The outcomes we need to achieve through our workforce strategy and the steps that will get us there will be developed over the next few months. **The workforce strategy and initial action plan will be published later this year.**

The Welsh Government will continue to prioritise the alignment of our workforce to priorities set out by the First Minister in the programme for government and ensure the organisation is able to fulfil its statutory duties. The new workforce strategy will set out the capability priorities and a development plan for our workforce including how we further embed the principles of the Well-Being of Future Generations.

Alongside the workforce strategy, we will deliver improvements in workforce planning through the implementation of the **Workforce Delegation and Accountability Framework**. This will delegate workforce planning and staff budgets, as well as accountability for decision-making, to Senior Civil Servants and support more flexible and responsive resourcing arrangements. This will provide a route for identifying alternative delivery mechanisms for specific delivery priorities and managing the impact on our workforce. **The framework will be in place and operational in late 2022.**

We have introduced formal arrangements for annual succession planning at a Senior Civil Service level this year. From April 2023, we will build succession planning into our core approach for workforce planning and talent management at a team, profession and leadership level.

The Welsh Government has set ambitious targets in the **Workforce, Equality, Diversity and inclusion Strategy 2021 – 2026** to increase the diversity of our workforce and strive to create a workforce that represents the communities they serve. Welsh Government will align itself to the UK Civil Service position of the 'external by default' principle for all Senior Civil Service (SCS) posts being filled on a permanent basis. Wherever possible, we will prioritise external recruitment for the delegated grades (Team Support to Grade 6) and undertake targeted outreach activity to attract a diverse pool of candidates. **Within the constraints of our overall workforce affordability, we will be clear in the workforce strategy about the outcomes and action we will take to deliver these ambitions.**

The WG2025 Implementation Board will endorse a delivery plan setting out clear milestones for the first year, maintain oversight of performance and evaluate progress.

Management information – Recommendation 2

The Welsh Government should strengthen workforce data and underpinning systems to support workforce planning and day to day staff management, including enabling groups and managers to have better direct access to workforce data and reducing the reliance on manually collating workforce information.

The Welsh Government is committed to deliver improvements in the availability of accurate and timely management information to inform workforce planning and decisions at a strategic and operational level.

We are near completion of an upgrade to our information management systems that will put in place a stable platform with the capabilities required to improve the collection, analysis and use of HR management information at all levels. **This programme will deliver an upgrade of two corporate systems – recruitment and HR Information System - by January 2023 with a programme of developments planned thereafter.**

We are continuing to develop an internal analytics function as part of our overall approach to improve strategic workforce planning and management. We have made early improvements to the reporting on key people themes, such as absence and performance. We will deliver further improvements to workforce planning information as part of operationalising the Workforce Delegations and Accountability Framework.

Operational workforce management – Recommendation 3

The Welsh Government should review the Workforce Delegation and Accountability Framework two years after its introduction to evaluate its effectiveness in enabling more flexible and responsive workforce management, and its contribution towards the objectives of the wider workforce strategy.

The new Workforce Delegation and Accountability Framework will re-calibrate our approach to workforce governance, delegations, and controls to ensure that accountability is clear and that decisions on staffing matters can be exercised at appropriate leadership levels across the organisation. We intend the next year to be transitional with an initial review of how the framework is operating at the end of this financial year.

The Welsh Government will undertake a formal review of the impact the Workforce Delegation and Accountability Framework has on workforce planning and management including the impact on the outcomes of our new workforce strategy at the end of 2023-24.

Document is Restricted

Agenda Item 7

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted