

# Agenda – Public Accounts and Public Administration Committee

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Meeting Venue:	For further information contact:
Committee Room 5, Ty Hywel	Fay Bowen
Meeting date: 29 November 2023	Committee Clerk
Meeting time: 09.00	0300 200 6565
	<a href="mailto:SeneddPAPA@senedd.wales">SeneddPAPA@senedd.wales</a>

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This meeting will be broadcast live on [www.senedd.tv](http://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 Chief Executive of the Welsh European Funding Office and the Welsh Government's Head of Rural Payments Division on Maximising EU Funding

(Pages 1 – 5)

#### 2.2 Letter from the Minister for Health and Social Services on Betsi Cadwaladr University Health Board

(Pages 6 – 15)

#### 2.3 Letter from the Director General for the Climate Change and Rural Affairs Group on Cardiff Airport

(Pages 16 – 21)

### 3 Evidence Session with the Welsh Government: Amgueddfa Cymru/Museum Wales

(09:30 – 11:00)

(Pages 22 – 51)

Welsh Government Officials



**Senedd Cymru**  
**Welsh Parliament**

- Andrew Slade: Director General - Economy, Treasury and Constitution
- Jason Thomas: Director - Culture, Sport and Tourism

Supporting documents:

- [Governance arrangements relating to an employment dispute at Amgueddfa Cymru/National Museum Wales](#)
- [Amgueddfa Cymru/Museum Wales – Final report of the Tailored Review Panel](#)

Attached Documents:

- Letter from the Welsh Government’s Director General, Economy, Treasury and Constitution Group regarding Amgueddfa Cymru/Museum Wales

**4 Motion under Standing Order 17.42 to resolve to exclude the public for the remainder of the meeting**

(11:00)

**(Break)**

(11:00 – 11:10)

**5 Consideration of the evidence received from the Welsh Government: Amgueddfa Cymru/Museum Wales**

(11:10 – 11:40)

**6 Consideration of the Committees draft report: Town Centre Regeneration**

(11:40 – 12:00)

(Pages 52 – 110)

**7 Forward Work Programme: Spring 2024**

(12:00 – 12:30)

(Pages 111 – 125)

# Agenda Item 2.1



Llywodraeth Cymru  
Welsh Government

Public Accounts and Public Administration Committee  
Welsh Parliament  
Cardiff Bay,  
Cardiff,  
CF99 1SN

15 November 2023

Dear Chair,

## Maximising EU Funding

I write further to your letter of 24 October 2023, in which you requested further information to aid the Committees consideration of Audit Wales' report, Maximising EU Funding (June 2023).

Please see below for the information you requested.

## Replacement funding

### *Structural Fund Programme*

- With the Shared Prosperity funding going direct to local government, what the Welsh Government is planning for national programmes such as work based learning, apprenticeships and employment support services that have previously attracted a lot of EU Structural Funds.

Bypassing the Welsh Government from the design and management of the Shared Prosperity Fund (SPF) has created a host of problems for the Welsh Government, local authorities and other delivery partners to manage.

Not fully replacing Wales' level of EU funding means Wales has lost out from £1.1 billion of funding compared to EU funding levels, while the delays, design and short-term focus of the UK Shared Prosperity Fund has also disadvantaged the Welsh Government, higher and further education, business and third sectors, previously supported by EU funding, from accessing hundreds of millions of pounds to support our priorities for growth and jobs.

This includes support for national, all-Wales programmes like Business Wales, Apprenticeships and Innovation schemes which benefited from EU funding. For example, the Welsh Government's lack of access to the SPF has created a significant funding gap for

*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.*



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around 5,300 apprenticeships per year. To overcome this gap, the Welsh Government deployed additional funding from the Welsh budget to maintain apprenticeship programme delivery to EU funding levels up to 2023/24. Also, our delivery partner, Careers Wales, had to stop their EU funded “Activate Support Programme”, which supported over 8,500 young people across Wales who were deemed as most at risk of not entering Education, Employment and Training (NEET).

The Welsh Government has also had to close targeted EU-funded programmes such as Parent, Childcare and Employment (PaCE). PaCE helped parents/guardians who were economically inactive prepare for and access employment opportunities and provided funded childcare. Parents received individualised help via a Parent Employment Adviser working in the community to help improve skills, tackle low self-esteem/low confidence and move parents/guardians closer to sustainable employment. This year we expect to receive around £30m of EU funding to support our three National Employability Programmes. This money is not being replaced. We have, therefore, already had to make some difficult budget decisions and clearly we will be unable to deliver activities to the same scale or ambition as we had hoped. Duplication of activity is also a concern, with the UK Government’s SPF approach creating a fragmented funding landscape and a confused and complicated range of options for people and businesses.

Despite this, our offer remains steadfast. Whether people are starting out on their employment journey, seeking work, at risk of losing employment or, ultimately, been made redundant, the Welsh Government has in place effective programmes of support to ensure nobody is left behind. Communities for Work+ (CfW+) continues to be our key intervention for tackling economic inactivity and supporting those most disadvantaged in the labour market. It is integrated with Jobcentre Plus services and works in partnership with local authorities across Wales to provide intensive personalised support and training. Our ReAct+ programme is a key aspect of support for those who are either affected by redundancy or for those who are short-term unemployed to return to work quickly. Our ReAct+ and CfW+ programmes continue to be at the forefront of the co-ordinated offer of redundancy support with the UK Department for Work and Pensions, supporting displaced workers, most recently from 2 Sisters, Tillery Valley Foods and UK Windows and Doors. Jobs Growth Wales+ continues to support NEET young people and provides extra support to address the impact from the loss of learning and work experience as a result of the Covid pandemic.

We aim to ensure our employability programmes are able to operate in these challenging conditions, remain fit for purpose, fit for the future and are flexible enough to transition as the economy and labour market needs. On that basis, and in accordance with our commitment in the Employability and Skills plan, we have commenced work on a fundamental review of our key employability programmes - CfW+, Jobs Growth Wales+ and ReAct+.

### *Rural Development Programme*

- Given wider pressures on the Welsh Government’s budget, what the prospects are for the replacement funding matching the levels provided by the Rural Development Programme, including the level of provision for socio-economic programmes.  
Given the pressures on Welsh Government budgets it is unlikely the same level of funding previously provided will be available in the future. However, if the UK Government makes sufficient levels of funding available, then Ministers will have the opportunity to consider where funding should be targeted.

The Welsh Government recognises the importance of socio-economic schemes. However, given the limitations placed on funding by the UK Government, their approach to the Shared

Prosperity Fund, and the limited budget available to us, we have prioritised our core commitments.

- Whether the Welsh Government intends to publish a similar level of information on spending and performance on the replacement schemes as under the Rural Development Programme.

The Welsh Government will publish information in accordance with the reporting obligations detailed in the Agriculture (Wales) Act 2023.

- How Welsh Government funding for a Rural Economic and Sustainability Programme (across 2022-23 to 2024-25) has been allocated and spent to date, including whether the allocation for 2022-23 was fully spent.

There is no “Rural Economic and Sustainability Programme”. This is the name of the budget line which is supporting schemes that benefit our transition to the Sustainable Farming Scheme (SFS), particularly the elements that will deliver the Optional and Collaborative Actions of SFS. This budget line is also sometimes referred to as “rural investment schemes”.

In 2022/23 £6.88m was spent through this budget line. The funding available through this budget line for 2023/24 is as published in the Welsh Government’s [Final Budget](#), less the £10m revenue and £20m capital reprioritised to other areas following the Minister for Finance and Local Government’s update on the [2023/24 financial position](#). The budget available in 2024/25 will be subject to Cabinet agreement, which will then inform the draft budget published in December.

- When the Welsh Government expects to open applications for the interim agri-environment scheme (replacing Glastir) and whether there will be similar funding available as previous years

The application window for the Habitat Wales Scheme opened 29 September and closed 10 November 2023. The budget allocation to this scheme cannot be confirmed until our exercise to look at 2024/25 budgets across all portfolios has concluded.

## Other Matters

- How many active projects have passed their due end date within the structural funds programme?

A total of 17 projects supported by the European Regional Development and European Social Fund programmes 2014-2020 should submit their final payment claims to WEFO in 2024, if all claims are submitted promptly in accordance with each project’s funding agreement. (Please note that for this purpose, projects have been grouped together where they are essentially the same, but technically separate because of the East Wales / West Wales & Valleys Operational Programme split.)

- You committed to providing further details on your proposals for the modification of the Rural Development Programme (see paragraph 176 of the transcript).

The sixth and final modification to the Rural Development Programme was solely focused on the financial aspects - the proposed amendment does not seek to alter the milestone targets

set within the Performance Framework. It will ensure the optimal utilisation of the funds, and that funding aligns with delivery on the ground and is allocated to the correct 'Measure' of the Programme.

- You agreed to provide an update in writing on the domestic rural spend of £27.3 million in 2022-23 (see paragraph 149 of the transcript).

£6.88m was spent through the budget line referred to. Many of the schemes are demand led. If demand is not forthcoming, funding will be reallocated to other priorities.

- You also agreed you would confirm the amount of total value of RDP funding "netted-off" by the UK Government, as a result of slow spend (see paragraph 140 of the transcript).

The UK Government failed to provide £243m of funding. None of this funding would have been lost had we remained in the EU.

Their failure to provide this funding is not because of 'slow spend'. We took decisions about our spend profile many years ago which suited Wales and were conscious decisions. Whilst there were some unforeseen delays for some projects because of the impacts of leaving the EU, Covid and the cost-of-living crisis, this does not mean the UK Government should have penalised rural Wales.

- Whether the Welsh Government has seen any further reduction in the number of administrative mistakes relating to the interpretation of Rural Development Programme scheme rules since the position reflected in Audit Wales' 2022 audit work. This relates to the financial audit work referred to in paragraph 38 of the Auditor General's report.

The Welsh Government notes that Audit Wales' 2022 report concluded that the fund was materially correct and were subsequently cleared by the European Commission. The Welsh Government learn lessons each year from audit findings and hopes that the administrative errors will reduce in the 2023 accounts, due February 2024.

- How the anticipated 30 September modification in the Rural Development Programme is progressing, what the modification will involve, and the reasons for it.

The purpose of the modification was to ensure that EU funds are maximised.

Following consultation with the Programme Monitoring Committee the modification was submitted to the European Commission on 29 September 2023. The Commission have now launched the adoption process and we expect the formal adoption of the modification in due course.

I trust the above information answers your questions, but should you have any further queries please do not hesitate to contact me.

Yours sincerely,

Peter Ryland, Chief Executive, Welsh European Funding Office

Hugh Morgan, Head of Rural Payments Division, Welsh Government



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20 November 2023

Dear Russell and Mark,

I am writing further to my letter of 10 May, in which I provided an update on a number of pieces of work and agreed to provide a further update this month.

#### Betsi Cadwaladr University Health Board (BCUHB)

The attached report at annex 1 sets out the work that has been undertaken over the last 6 months. You will also be aware that I am providing quarterly reports on the progress the health board is making against the special measures framework. The [first two reports](#) set out the progress made over the first six months of special measures arrangements and the third quarterly report setting out the progress made during the last three months is due to be published on 13 December 2023.

#### Accountability Ministerial Task and Finish Advisory Group

On 8 November 2023, I issued a [Written Statement](#) that set out the membership of the Ministerial Task and Finish Advisory Group I have established to reflect on the current governance structures within NHS Wales, provide a view about whether accountabilities are clear and appropriate, and advise on any recommendations necessary to strengthen them.

Specifically, I have asked that the Task and Finish Group should advise me of its recommendations by 31 March 2024 and in doing so to:

- Reflect on the current governance structures within the NHS Wales system and provide observations of any strengths or weaknesses.
- Provide a view as to whether accountabilities are clear and appropriate.
- Provide any recommendations to strengthen the system.
- Take account of the fact that health ministers in Wales are closer to the NHS system than elsewhere and that the accountability mechanisms need to consider this.

## Intervention and Escalation Framework

Considerable work has been undertaken on this Framework and consultation has been undertaken with the NHS. I intend to share further information with the committee concerning its publication in due course.

I hope that this update is helpful and please let me know if you require any further information or briefing on these matters.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'M. E. Morgan'.

**Eluned Morgan AS/MS**

Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol  
Minister for Health and Social Services





Special Measures: Betsi Cadwaladr University Health Board

Update to Health and Social Care Committee and Public Accounts and Public Administration Committee

From: Minister for Health and Social Services

November 2023

## 1. Background

The [Special Measures Framework](#) sets out the reasons Betsi Cadwaladr University Health Board was placed in special measures on 27 February 2023. These relate to serious concerns about board effectiveness, organisational culture, service quality and reconfiguration, governance, patient safety, operational delivery, leadership, and financial management.

The framework sets out in some detail the improvements expected between March and December 2023 under the following eight areas of concern which are:

- Governance, board effectiveness and audit
- Workforce and organisational development
- Financial governance and management
- Compassionate leadership and culture
- Clinical governance, patient experience and safety
- Operational delivery
- Planning and service transformation
- Clinical vulnerable services

It also sets out five clear outcomes for the stabilisation phase of special measures:

- A well-functioning board
- A clear, deliverable plan for 2024/25
- Stronger leadership and engagement
- Improving access, outcomes, and experience for citizens
- A learning and self-improving organisation

The complexity and scope of work in the domains is such that there will be four levels of the special measures intervention to support de-escalation.

- Discovery
- Stabilisation
- Standardisation
- Sustainability

The discovery phase was undertaken during March – May and the first [quarterly report](#) sets out the progress made during that initial phase. The health board is in the stabilisation phase of special measures, which will last for approximately 9 months. This will be made up of three cycles.

The first cycle commenced on 1 June 2023 and ended on 31 August 2023. The second cycle will run from 1 September 2023 to 30 November 2023.

A review of cycle 1, including members of the board, independent advisors and Welsh Government officials was held on 9 August. Some good progress has been made on enabling actions during this first 90-day cycle. It is still too early to consider their effectiveness and impact. The health board is focused on building upon these to ensure they are embedded, resulting in sustainable improvements.

The following external reviews have concluded, and reports are in the process of being finalised or have been shared with the health board for consideration by the Board through its appropriate governance structures:

- Review of concerns raised around Betsi Cadwaladr University Health Board affiliated to patient safety.
- Safety review of Betsi Cadwaladr University Health Board mental health and learning disabilities inpatient units.
- Rapid review of interim appointments at Betsi Cadwaladr University Health Board.
- Rapid review of the office of the board secretary.
- Vascular services assurance assessment.
- Executive team portfolio review.
- Independent assessment of integrated planning approach and process.
- Procurement and contract management (health board led).
- Listening to citizens, patients, staff, and partners.

In addition, an assessment of the key areas of the workforce portfolio ('HR experts review') has been completed.

The following reviews are underway and will inform priorities and actions for future cycles following completion and consideration by the Board through its appropriate governance structures:

- A review of vascular pathways between August 2022 and August 2023.
- Follow up assurance assessment of the inpatient mental health units.
- Board effectiveness follow up review undertaken by Audit Wales.

The second [quarterly report](#) was published on 19 September sets out the progress made between June and the end of August and the priorities for the period between September and November are published [here](#).

The following sections highlight progress against a number of high-risk areas:

#### Requirement to stabilise the Executive Team

- On 14 November 2023, Carol Shillabeer was confirmed as the permanent Chief Executive following an open recruitment process.

- Adele Gittoes has been seconded from NHS Wales Executive as the interim Executive Director of Operations for a period of 9 months (until March 2024).
- Elin Gwynedd has been seconded from Welsh Government to become the Health Board's Chief of Staff.
- Russell Caldicott has been appointed as the interim Director of Finance.
- Phil Meakin is Interim Board Secretary, following an internal restructure.
- Recruitment to the Director of Corporate Governance (and Board Secretary) is underway.

### Action taken to stabilise the Board

Work has continued to develop and support the Board. Mike Parry was appointed as the new Associate Board Member, in his capacity as Chair of the Stakeholder Reference Group for BCUHB until 30 June 2024. Gareth Williams has been appointed as vice-chair and Urtha Felda and Dr Caroline Turner as independent members. Details of the independent members can be found at [health-board-members](#). A further recruitment for the remaining three independent members will commence in November.

Interviews for a permanent chair will take place in November and a pre-appointment Health and Social Care Committee hearing has been scheduled for 24 January 2024.

These appointments will continue to strengthen the accountability, governance, and operational controls across the board.

### Interims

As part of the special measures intervention, a review of interims has been completed. The health board is working its way through the recommendations. The reliance on interims is reducing. As of 1 October 2023, there were 7 interims on agency contracts, 4 interims on Bank contracts and 2 interims on secondment. This is a significant reduction from February 2023 where there were 32 interims on agency contracts, 6 interims on bank contracts and 1 interim on secondment.

### Independent Advisors

As part of the special measures arrangements, a small team of independent advisors were appointed to support the Board for HR, governance, finance and operational delivery. This includes specialist advice and oversight on board governance and board effectiveness and mentoring and support to the Board.

The work programme of the five Independent Advisers appointed in February 2023, has concluded and their recommendations have informed the priorities for cycle 2. Ongoing support for communications and stakeholder management, mental health, planning and quality and safety continues until March 2024.

### Performance

There has been a reduction in the number of long waiting patients at both the outpatient and treatment stage. The number of people waiting over 52 weeks for an outpatient appointment has fallen by 18% between February 2023 and August 2023 and the numbers with total waits over 104 weeks has reduced by 21% in the same period.

The dermatology service has come under considerable pressure since the summer with an increasing number of vacancies and a reliance on interim and locum staff. This will impact upon both the dermatology and skin cancer performance in the coming months. An immediate recovery solution has been put in place to ensure the impact on urgent skin cancer patients is minimised. The Welsh Government has given the health board an additional £200,000 to establish a tele-dermoscopy model which will support faster triaging of patients.

While emergency department waiting times improved in September 2023, when compared to July 2023, they remain a significant challenge. The focus on achieving the red line measure agreed by NHS Wales chief executives, to eradicate 4-hour ambulance handover delays, whilst not yet achieved, is resulting in some improvements. There were 528 handover delays in excess of 4 hours in September 2023, this is considerably better than the 1,042 noted in March 2023.

### Vascular Services

HIW has indicated that they no longer consider vascular services within BCUHB as a service requiring significant improvement. In the last few months, the health board has made a number of key appointments including two substantive vascular consultants and a new vascular network manager.

An independent assessment against the vascular plan has been undertaken by the NHS Executive Vascular Clinical Network. This will be considered by the health board's Quality, Safety and Experience Committee in a development session in November before a management response is issued. It concluded that BCUHB's vascular service has improved from the previous reviews and in the opinion of the reviewers now provides a much safer service. It also noted the vascular surgeons work more collaboratively, with patient management being MDT (multi-disciplinary team) driven.

Welsh Government has commissioned a vascular case note assessment, which commenced in November and will review a number of patient pathways accessing treatment between August 2022 and August 2023.

Improvements continue to be noted in the vascular service, building upon the recent reviews that have been undertaken. There have been a number of engagement events with families following the publication of the Vascular Quality Panel findings and a further event is scheduled for early December. The vascular improvement plan is comprehensive and is reviewed and updated on a regular basis.

### Mental Health

Mental health services appear to be stabilising and performance for adult mental health is improving. However, the service remains incredibly fragile with a relatively new management team and considerable staff turnover.

Performance against the various mental health measures for adults continues to improve, with nearly 80% of adults having an assessment within 28 days in June compared to 73.8% in February and just over 81% having an intervention within 28 days. Whilst performance for under 18s against parts 1a and 1b of the mental health measure is below target, improvements have been seen when compared to January.

As part of the special measures intervention, the Deputy Minister for Mental Health and Well-Being commissioned a review of all adult mental health inpatient sites. This review was considered at a development session of the health board's Quality, Safety and Experience Committee in September, and the management response was agreed at its [October](#) meeting. A further assessment to be undertaken by the NHS Executive is planned for January 2024 to assess the extent to which the recommendations have been embedded.

The review of mental health reviews being undertaken by the Royal College of Psychiatrists is progressing at pace.

This area remains high risk with a number of high-profile inquests scheduled in the coming months and a HSE prosecution taking place in December.

### Quality and Safety

Since February, the health board has received 19 Regulation 28 Prevention of Future Deaths notices from the coroner, including repeated concerns about the health board's responses to and learning from concerns raised. Two of which relate to deaths that occurred after escalation to special measures. Both Coroners have expressed concerns about the health board and the Minister for Health and Social Services met with them over the summer to discuss their concerns.

The number of issues raised by HM Coroner and the Public Services Ombudsman remains high and this is very concerning. A programme of new reporting and learning processes has now been agreed and a new standard operating procedure is in place. This has direct oversight from the medical director, with a clear escalation process.

When the health board was placed into special measures, the outgoing independent board members were very clear that there were serious quality and patient safety issues across parts of the organisation. These have been echoed by HM Coroners, both of whom who have been frustrated by the lack of learning within the organisation and the poor preparation for inquests.

In response to these serious concerns, officials commissioned an independent assessment of patient safety issues. The Board considered the recommendations from the assessment in a closed session in September and shared its management response at its Quality, Safety and Experience Committee in [October](#).

A quality roundtable was held with the health board, Welsh Government, independent advisors and the NHS Executive in November to agree key areas of focus.

### Annual Accounts 2022/23

The health board presented its annual accounts for 2022/23 at an extraordinary board meeting on 24 August 2023 and were certified by the Auditor General for Wales on 25 August 2023. The Annual Accounts 2022/23 reported a surplus for the financial year that remained consistent from draft to final endorsement by health board, and represented achievement of the first financial duty in that expenditure did not exceed the aggregate funding over a three-year period.

The AGW qualified his opinion on whether the financial statements gave a true and fair view, owing to significant uncertainty in the opening balances and whether expenditure for 2022-23 was materially understated. Both these matters related to his qualification of the 2021-22 financial statements, arising from insufficient and appropriate evidence relating to specific accruals, payables and expenditure recognised in the financial statements.

He further qualified the Regularity Opinion due to a breach of standing financial instructions on the payment of salary to an Interim Executive Director; and the health boards failure to meet its second financial duty.

Audit Wales have however confirmed that the closing balance sheet position for 2022-23 represents a true and fair view in all material respects and therefore the significant uncertainty that was identified by them that impacted on 2001-22 and the 2022-23 audit opinion should not affect the 2023/24 financial year.

### Accounting Issues

The health board has developed and is implementing a financial control environment action plan. The health board chair and interim chief executive, following legal advice, met with PAPAC in a closed session on 5 July.

The health board is working through the disciplinary processes, and some disciplinary hearings have taken place. There were a number of disciplinary cases arising following the EY investigation. 40% of these have now concluded and the others are in the disciplinary process. The legal advice is that these cases must be allowed to be completed in line with natural justice and that the publication of the EY report would prevent this. The health board has agreed that it will publish, via the Board, its response to accounting issues including the EY report once all outstanding disciplinary and grievances are resolved.

The health board has provided North Wales Police with all the information relating to the EY report. No decision has yet been made by North Wales Police regarding any further action.

### How is progress monitored

The Minister for Health and Social Services and the Deputy Minister for Mental Health and Wellbeing have visited the health board on a number of occasions, over the last eight months including each of the three acute sites and a number of other mental health and community settings. This has given them the opportunity to hear experiences of staff and patients, and to see the improvements being made.

The Minister for Health and Social Services chairs a bi-monthly Special Measures Improvement Forum with the unitary board, the Deputy Minister for Mental Health and Well-Being is also in attendance. This allows Welsh Ministers to ensure that the health board is progressing with the appropriate actions in response to the special measures escalation.

The Deputy Minister for Mental Health and Well-Being chairs a quarterly meeting with the health board on mental health.

The MHSS also meets with the interim Chair each month. These meetings are used to assess progress against his objectives.

The Chief Executive of NHS Wales chairs a quarterly Special Measures Assurance Board that reviews progress against the priorities within each 90-day cycle.

There are a number of health board and Welsh Government meetings in place to track progress including but not limited to monthly cancer and eye-care meetings, a monthly Integrated Quality and Delivery Board, a Joint Executive Team meeting twice a year, finance, quality, planned and unscheduled care touchpoints on a regular basis.

#### Decision to de-escalate

Whilst some improvements are being made, the Board is still assessing areas of concerns. New processes and procedures need to be made and embedded and the cultural change needed will take time. When we are assured that all the issues of concern have been reviewed and really understand the magnitude of what needs to be done, then we will agree and publish clear de-escalation criteria.

# Agenda Item 2.3

Tracey Burke

Cyfarwyddwr Cyffredinol / Director General

Y Grŵp Newid Hinsawdd a Materion Gwledig  
Climate Change and Rural Affairs Group



Llywodraeth Cymru  
Welsh Government

Mark Isherwood MS  
Chair – Public Accounts and Public Administration Committee  
Welsh Parliament  
Cardiff Bay  
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CF99 1SN

14 November 2023

Dear Chair

## CARDIFF AIRPORT

Further to my letters to you of the 18 September and 26 October in relation to Cardiff Airport, I am writing to provide the Committee with a six-monthly update.

### Quarterly reporting

In my letter sent to you on the 21 September 2022, I set out the metrics used in the quarterly reports for the Airport's performance against the Rescue and Restructuring Plan. The progress report below refers to those metrics.

**Progress report** for Quarter one (Q1) being the period ending 30 June 2023<sup>1</sup>:

- Total passenger numbers were 236,199 for the three-month period to June. There were 3,789 less passengers travelling during Q1 than forecasted which was driven by the loss of Wizz Air, yet income was ahead of budget driven by stronger passenger spend.
- The Welsh Government has received nine quarterly reports to date on the Rescue and Restructuring Plan from its loan agents, the Development Bank of Wales (DBW).

<sup>1</sup> Under the terms of our agreements with the Airport, the Airport has to provide DBW, as loan agents, with a quarterly report by no later than 45 days of the end of each financial quarter. Following receipt of that information from the Airport, DBW then delivers its quarterly report to the Welsh Government within 20 business days. These timescales account for the lag in reporting each quarter's figures.

Parc Cathays/Cathays Park  
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- In-line with the drawdown schedule set out in the Rescue and Restructuring Plan grant Agreement, Cardiff Airport has drawn down £38.2m to date of its £42.6m, with the balance to be drawn down by the end of December 2024.
- The loan balance outstanding as at 30 September 2023 is £31.4m. This includes capitalisation of interest, which is added to the overall balance at each month end. There are no future allocated or existing loans for Cardiff Airport to draw down funds from.
- Cash balance remained high due to higher income and cash being preserved by very tight cost control and deferred capital expenditure whilst ensuring the Airport remains compliant with regulatory requirements to operate.
- Income for the three months ending 30 June 2023 was 5% ahead of budget. Higher income from traffic, commercial and car parking underpinned this over-achievement.
- The Airport is yet to reach a level of annual profitability, measured by the EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) margin, however costs have been well contained, meaning the EBITDA loss, for Q1 2023 was lower than forecasted. Reaching positive EBITDA remains a future target.

The Welsh Government has received and approved nine capital expenditure requests of between £50,000 and £1m to-date from the Airport, totalling £2.2m, and two requested above £1m totalling £12.6m, from a total pre-approved budget of approximately £29m ringfenced until March 2026. All investments were considered essential operational safety and/or security costs to continue to operate the Airport.

## Performance targets

I outlined the Airport's performance against the Rescue and Restructuring Plan in my letter to you dated 21 September 2022. I have outlined in the table below the Airport agreed targets again for ease of reference contained within their grant agreement and provided updates against each target.

Description of the Target	Date by when it should be achieved	Evidence required	Updates
Achieve an annual level of 1.3m flown passengers	31 March 2026	Report detailing passenger numbers based on data submitted to the Civil Aviation Authority	Cardiff Airport has recovered 58% of its 2019 passenger figures, recording



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		(CAA)	910,000 passengers through its terminal by the end of the last financial year (31 March 2023). The airport is on a trajectory to achieve 1.3m passengers by 31 March 2026.
Reach a level of profitability, measured by the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) margin	31 March 2029	Set of audited accounts	The airport is yet to reach a level of profitability, measured by the EBITDA margin. LBITDA (Loss Before Interest, Taxes, Depreciation, and Amortization) is in line with budget, reaching positive EBITDA is a future target.
Minimum of £500,000 salary cost saving	Year ended from 31 March 2022	Annual report	The Airport achieved the target of a minimum of £500,000 salary cost saving in Year ending 31 March 2022.
Maintain operating costs in line with the 11/02/21 forecast.	31 March 2029	Any projected increases of more	The airport continues to



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		than 5% to be notified to the Welsh Government Official as part of the quarterly reporting.	maintain operating costs broadly in line with the 11/02/21 forecast. However, we recognise the continuing impact the pandemic is having on the aviation industry; inflationary pressures, a tight labour market and mandatory regulatory requirements continue to present significant challenges to the aviation industry in its recovery and it is no different for Cardiff Airport.
<p>Commitment to becoming carbon neutral:</p> <ul style="list-style-type: none"> <li>a) Commit to an operational solar farm at Cardiff airport (or some other energy efficient usage for energy consumption)</li> <li>b) Commitment to the development of sustainable aviation fuel and to offer this to airlines at Cardiff Airport as soon as practicably</li> </ul>	31 March 2023	To be updated as part of the quarterly reporting.	The position remains the same as articulated to Committee in my letter dated 5 <sup>th</sup> May 2022.



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<p>possible.</p> <p>c) Commitment that all future vehicle purchases will be electric or hybrid (where available)</p> <p>d) Offer a pricing structure (that can be made publicly available) where there is discount on fees and charges for those airlines operating the most fuel-efficient aircraft.</p> <p>e) Focus on enhancing environmental flightpath.</p>			
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I have previously written to you separately on the 9 May 2023, under commercially confidential cover, with an update regarding the other performance target and that position has not changed.

No revisions, new measures or targets have been agreed by either party on any of the targets.

**Next Generation Security (NGS) Scanners**

As mentioned in my letter of 18 September, consideration was being given at the time to the issue of additional cost pressures for the new Next Generation Security 3-D baggage scanners that Cardiff Airport is required to install by 2024; a regulatory requirement under a direction from the UK Government. We have concluded that work and as a result, the Welsh Government, as the sole investor in the airport, has determined that on a commercial basis it should provide an equity investment of £6.6m to the airport, as a one-off measure to address the cost challenges and meet this compulsory regulatory requirement. This will ensure that passenger security and the passenger experience at Cardiff is equivalent to that at other regulated airports across the UK. For further details please see link to the written statement by the Welsh Government here:

[Datganiad Ysgrifenedig: Sganwyr Diogelwch y Genhedlaeth Nesaf \(NGS\) ym Maes Awyrr Caerdydd \(26 Hydref 2023\) | LLYW.CYMRU](#)

[Written Statement: Cardiff Airport Next Generation Security \(NGS\) Scanners \(26 October 2023\) | GOV.WALES](#)



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## WGC Holdco

As the Committee is aware, following an internal governance review of WGC Holdco Limited, Welsh Ministers agreed to two new Non-Executive Directors (NEDs) on the Board of Directors of Holdco, in place of the two Senior Civil Servants (SCS). The current NED position was to be retained and his position is to be replaced at the end of his current term which ends on 14 November 2023. A position is also to be retained on the Board for one SCS.

Following an internal recruitment process conducted by civil servants and approved by the Welsh Ministers, I am pleased to announce the pending appointment of Reg Kilpatrick, Director General for the Covid Recovery and Local Government Group as a new Director and Chair to the WGC HoldCo Limited Board.

We are in the final stages of recruiting the three new NEDs to the Holdco Board. I will update the Committee of the outcome of that process in my next update letter.

I trust the contents of this letter meet the commitment I gave to you for a six-monthly update, but if you would like further information or clarification, please let me know.

Yours sincerely



**Tracey Burke**  
Director General  
Climate Change & Rural Affairs Group



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# Agenda Item 3

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

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Mark Isherwood AS/MS  
Chair  
Public Accounts and Public Administration Committee  
Welsh Parliament  
Cardiff Bay  
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23 November 2023

Dear Chair

I write to you ahead of my scheduled evidence session with the Public Accounts and Public Administration Committee on 29 November 2023 on the subject of Amgueddfa Cymru.

I am aware that following the publication of the [Financial Report of the Board of Trustees of the National Museum of Wales 2021/22](#), which included the Auditor General for Wales' qualified regulatory opinion and the Auditor General's additional report on [Governance Arrangements Relating to an Employment Dispute at Amgueddfa Cymru – National Museum Wales](#), Committee members will wish to discuss recent events at Amgueddfa Cymru.

The matters that the Auditor General addresses in his qualified regulatory opinion and subsequent report relate to sensitive and complicated issues spanning a considerable period of time. The governance of Amgueddfa Cymru is itself complex as an institution established via a Royal Charter that is both a registered charity and at arm's length from Welsh Government. With this context in mind, we sought detailed legal advice regarding Welsh Government's role in helping to resolve the issues at Amgueddfa Cymru, and we also liaised with the Charity Commission. Our priority was always to support colleagues at Amgueddfa Cymru and enable them to move forward at a time that the museum itself has acknowledged as an extremely challenging period. Amgueddfa Cymru is one of our treasured cultural institutions in Wales and it was imperative that we did all we could to enable it to operate as effectively as possible to serve the people of Wales, and also to protect its reputation. We were equally committed to protecting the rights and wellbeing of all affected parties.

Lessons have been learned from these events by both Amgueddfa Cymru and Welsh Government. An independent Tailored Review of Amgueddfa Cymru was specifically commissioned by Welsh Government, and, after necessary preparatory phases, formally began its work in August 2022. We had initially intended for the Tailored Review to conclude by Christmas 2022. However, in finalising the terms of reference, it became apparent that the

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panel would not be able to cover the intended remit appropriately, in depth, and report within this timescale. Given the challenges facing Amgueddfa Cymru at the time, we agreed that an interim report focusing on corporate governance would be delivered by Christmas 2022, and that the Review Panel would present its initial findings by 1 March 2023. This allowed us to utilise the review to achieve the best outcome but also to prioritise the focus on governance.

The Review Panel delivered its initial draft report on 1 March 2023 and this was considered, and commented on, by the Partnership Team and Amgueddfa Cymru. The Review Panel amended its report, where it felt that was appropriate, and presented a revised report for consideration by a Challenge Panel (made up of senior Welsh Government officials and an independent member) which met on 11 May 2023. The Review Panel considered the comments and views of the Challenge Panel and submitted its final report on 1 June 2023.

The Review Panel was chaired by David Allen, former chair of the Higher Education Funding Council for Wales, and members had experience of governance, efficiency and of running national museums. The [final, detailed report](#) was published on 13 July 2023, with 27 of its 77 recommendations focusing on governance. The Review Panel's thorough report provides recommendations for Amgueddfa Cymru's future and puts forward ways of dealing with situations similar to recent circumstances through policies and procedures. Work is already underway in responding to the wide-ranging recommendations made in the report and we are supporting Amgueddfa Cymru to move forward, working closely with its new Chair and Chief Executive Officer.

The Auditor General makes two recommendations in his report that relate specifically to Welsh Government:

*R2. Drawing on the learning from the employment dispute at Amgueddfa Cymru, the Welsh Government should work with its arm's length bodies to ensure grievance policies address the scenario of concerns that are raised by their most senior officers and/or that are directed at Board members and to ensure broad consistency of approach.*

*R3. The Welsh Government should clarify the procedures to be followed in circumstances such as the employment dispute at Amgueddfa Cymru where it is itself a party to novel, contentious, or repercussive proposals arising from its arm's length bodies.*

We fully agree with the Auditor General's recommendations and had already identified these actions as areas of priority for Welsh Government. A draft 'Guidance for managing concerns and complaints against senior leaders in the Public Sector in Wales' has been developed and was presented to the Chief Executives of Welsh Government Arm's Length Bodies on 5 October 2023. Once initial comments have been received, the intention is for the draft to go to formal consultation with members of Welsh Government's Devolved Sector Group.

Welsh Government does not, however, accept the Auditor General's suggestion that the agreement reached did not represent value for public money. We believe the counterfactual must be considered. Welsh Government received expert advice from an employment law specialist on the matter and agreed the settlement, as an interested party, on the basis of the following key considerations: it was the course of action most likely to deliver a reasonable



outcome, allowing all parties to manage costs and resolve the matter as quickly as possible, and avoiding the need for a protracted dispute that was assessed as likely to result in a greater overall cost to the public purse.

As you may be aware, we had the opportunity to comment on the Auditor General's draft PIR, and wrote setting out a number of concerns over the completeness of representation with the draft report. This included the personal and confidential nature of the issues, and the risk the report, as presented, could pose to the carefully negotiated settlement agreement. Further, Welsh Government felt that Audit Wales colleagues had not been able to provide any examples of where Accounting Officer duties had been compromised, or where governance failures had occurred resulting in loss or damage to Amgueddfa Cymru. We note the draft report was amended slightly in light of Welsh Government's comments, but many of the points raised were not addressed.

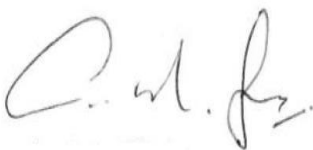
Welsh Government's principal concern is that there is a legal agreement in place between the parties involved that is still 'live'. This means that all parties to the agreement are committed to carry out certain obligations between the date the settlement agreement was signed and 30 September 2024. Not all of these obligations have been fulfilled as yet, because of how they fall in timing terms. Any act or omission during this period that could lead to an obligation not being fulfilled or impacts any of the other terms of the agreement could in turn lead to a breach of the settlement agreement and further costly legal proceedings. This necessarily limits what can publicly be shared at the present time. We are aware that one of the parties involved has already sought legal advice regarding the nature of the information that has been made public in recent weeks and in respect of the risk that this poses to the settlement agreement.

Whilst I will endeavour to answer committee members' questions on this matter next week, I will have to be steered by legal advice – in particular, in respect of not discussing matters that would breach the agreement that is in place. This would risk further legal challenges and injury to the individuals involved, to Amgueddfa Cymru and to Welsh Government, as well as opening up the prospect of significant further costs to the public purse. You will understand that this is something I wish to avoid.

I am happy to discuss this with you directly ahead of the evidence session, if that would be helpful.

With best wishes.

Yours sincerely



**Andrew Slade**  
Director General  
Economy, Treasury and Constitution

# Agenda Item 6

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

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