

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee
room 3, Senedd and video conference
via Zoom

For further information contact:

Owain Roberts

Committee Clerk

Meeting date: 7 November 2024

0300 200 6388

Meeting time: 09.30

SeneddFinance@senedd.wales

Registration

(09.00–09.15)

Private pre-meeting

(09.15–09.30)

1 Introductions, apologies, substitutions and declarations of interest

(09.30)

2 Paper(s) to note

(09.30)

(Pages 1 – 15)

Minutes of the meetings held on 25 September, 3 October, 10 October and 16 October.

2.1 PTN 1 – Letter from the National Statistician: Wales-specific Quarterly Growth Data – 21 October 2024

(Page 16)

2.2 PTN 2 – Health and Social Care (Wales) Bill: Welsh Government response to the Health and Social Care Committee's report recommendations – 25 October 2024

(Pages 17 – 28)

2.3 PTN 3 – Health and Social Care (Wales) Bill: Welsh Government response to the Legislation, Justice and Constitution Committee's report recommendations – 25 October 2024

(Pages 29 – 39)



2.4 PTN 4 – Letter from the Public Services Ombudsman for Wales: Action Plan in relation to the Independent Review of investigations into Code of Conduct complaints – 29 October 2024

(Pages 40 – 48)

3 Audit Wales – Scrutiny of the Estimate 2025–26 and Interim Report: Evidence session

(09.30–10.30)

(Pages 49 – 154)

Adrian Crompton, Auditor General for Wales, Audit Wales

Dr Ian Rees, Chair of the Wales Audit Office, Audit Wales

Kevin Thomas, Executive Director of Corporate Services, Audit Wales

Ann-Marie Harkin, Executive Director of Audit Services, Audit Wales

Supporting documents:

FIN(6)–23–24 P1 – Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2026

FIN(6)–23–24 P2 – Supporting information for the Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2026

FIN(6)–23–24 P3 – Interim Report – An assessment of progress made against our 2024–25 Annual Plan during the period 1 April to 30 September 2024

Research Service Brief

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting, and the meetings on 20 November and 27 November

(10.30)

5 Audit Wales – Scrutiny of the Estimate 2025–26 and Interim Report: Consideration of evidence

(10.30–10.45)

6 Financial Transactions Capital: Consideration of draft report

(10.45–11.00)

(Pages 155 – 191)

Supporting documents:

FIN(6)-23-24 P4 - Draft report

7 The Land Transaction Tax (Relief for Special Tax Sites) (Wales) Regulations 2024

(11.00-11.15)

(Pages 192 - 194)

Supporting documents:

[The Land Transaction Tax \(Relief for Special Tax Sites\) \(Wales\) Regulations 2024](#)

FIN(6)-23-24 P5 - Finance Committee Briefing Note

8 Consideration of Forward Work Programme

(11.15-11.45)

(Pages 195 - 204)

Supporting documents:

FIN(6)-23-24 P6 - Forward Work Programme (To be included in a supplementary pack)

Concise Minutes – Finance Committee

Meeting Venue: **Hybrid – Committee room 3, Senedd and video conference via Zoom**

This meeting can be viewed on [Senedd TV](#) at: <http://senedd.tv/en/14907>

Meeting date: Wednesday, 16 October 2024

Meeting time: 09.30 – 11.19

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Michelle Morris, Public Services Ombudsman for Wales Chris Vinestock, Chief Operating Officer and Director of Improvement, Office of the Public Services Ombudsman for Wales Katrin Shaw, Katrin Shaw, Chief Legal Adviser and Director of Investigations, Office of the Public Services Ombudsman for Wales
Committee Staff:	Owain Roberts (Clerk) Sian Giddins (Second Clerk) Georgina Owen (Second Clerk) Martin Jennings (Researcher)



	Owen Holzinger (Researcher) Božo Lugonja (Researcher)
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Registration

Private pre-meeting

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting of the Finance Committee.

2 Paper(s) to note

2.1 The Committee noted the papers.

2.1 PTN 1 – Letter from the First Minister to the Chair of the Legislation, Justice and Constitution Committee: Inter-Institutional Relations Agreement: Forthcoming Intergovernmental Meetings – 10 October 2024

3 Public Services Ombudsman for Wales (PSOW) – Scrutiny of Annual Report and Accounts 2023–24, and Estimate 2025–26: Evidence session

3.1 The Committee took evidence on the Public Services Ombudsman for Wales's Annual Report and Accounts 2023–24, and Estimate 2025–26 from Michelle Morris, Public Services Ombudsman for Wales; Chris Vinestock, Chief Operating Officer and Director of Improvement, Office of the Public Services Ombudsman for Wales; and Katrin Shaw, Chief Legal Adviser and Director of Investigations, Office of the Public Services Ombudsman for Wales.

3.2 The Public Services Ombudsman for Wales agreed to update the Committee on the outcome of a permission hearing that is scheduled for the 13 November, in relation to an ongoing Code of Conduct case.

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.

4.1 The motion was agreed.

5 Public Services Ombudsman for Wales (PSOW) – Scrutiny of Annual Report and Accounts 2023–24, and Estimate 2025–26: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Scrutiny of the Senedd Commission Draft Budget 2025–26: Consideration of draft report

6.1 The Committee considered the draft report and agreed it with minor changes.

7 Welsh Government First Supplementary Budget 2024–25: Consideration of draft report

7.1 The Committee considered the draft report and agreed it with minor changes.

Concise Minutes – Finance Committee

Meeting Venue: **Hybrid – Committee room 4 Ty Hywel and video conference via Zoom**

This meeting can be viewed on [Senedd TV](http://senedd.tv) at: <http://senedd.tv/en/14127>

Meeting date: Thursday, 10 October 2024

Meeting time: 09.30 – 12.24

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Michelle Morris, Public Services Ombudsman for Wales Chris Vinestock, Chief Operating Officer and Director of Improvement, Office of the Public Services Ombudsman for Wales Katrín Shaw, Katrín Shaw, Chief Legal Adviser and Director of Investigations, Office of the Public Services Ombudsman for Wales Mark Drakeford MS, Cabinet Secretary for Finance and Welsh Language, Welsh Government; Sharon Bounds, Deputy Director, Financial Controls, Welsh Government Emma Watkins, Deputy Director, Budget and Government



	Business, Welsh Government
Committee Staff:	Owain Roberts (Clerk) Sian Giddins (Second Clerk) Mike Lewis (Deputy Clerk) Owen Holzinger (Researcher)

Registration

Private Pre-meeting

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting of the Finance Committee.

1.2 Mike Hedges MS declared that he is Chair of the Public & Commercial Service Union cross-party group in the Senedd.

2 Paper(s) to note

2.1 The Committee noted the papers.

2.1 PTN 1 – Letter from the Cabinet Secretary for Finance and Welsh Language: Welsh Rates of Income Tax Outturn Statistics 2022–23 – 3 October 2024

2.2 PTN 2 – Letter from the Minister for Children and Social Care: Health and Social Care (Wales) Bill – 3 October 2024

2.3 PTN 3 – Letter from the PCS Union: Senedd Commission Draft budget 2025–26 – 7 October 2024

3 Review into the operations, processes and investigations carried out by the Public Services Ombudsman for Wales: Evidence session

3.1 The Committee took evidence on the review into the operations, processes and investigations carried out by the Public Services Ombudsman for Wales from Michelle Morris, the Public Services Ombudsman for Wales; Chris Vinestock, Chief Operating Officer and Director of Improvement, Office of the Public Services Ombudsman for Wales; and Katrin Shaw, Chief Legal Adviser and Director of Investigations, Office of the Public Services Ombudsman for Wales.

3.2 The Public Services Ombudsman for Wales agreed to provide the following:

- A timeline of actions that it intends to undertake, following the Independent review of investigations by the Public Services Ombudsman for Wales into Code of Conduct complaints.

Break

4 Welsh Government First Supplementary Budget 2024–25: Evidence session

4.1 The Committee took evidence on the First Supplementary Budget 2024–25 from Mark Drakeford MS, Cabinet Secretary for Finance and Welsh Language, Welsh Government; Sharon Bounds, Deputy Director, Financial Controls, Welsh Government

and Emma Watkins, Deputy Director, Budget and Government Business, Welsh Government.

5 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.

5.1 The motion was agreed.

**6 Welsh Government First Supplementary Budget 2024–25:
Consideration of evidence**

6.1 The Committee considered the evidence received.

7 Review into the operations, processes and investigations carried out by the Public Services Ombudsman for Wales: Consideration of evidence

7.1 The Committee considered the evidence received.

Concise Minutes – Finance Committee

Meeting Venue: Hybrid – Committee room 5 Ty Hywel and video conference via Zoom

This meeting can be viewed on [Senedd TV](http://senedd.tv) at: <http://senedd.tv/en/14896>

Meeting date: Thursday, 3 October 2024

Meeting time: 09.30 – 12.08

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Hefin David MS, Commissioner for Budget and Governance, Senedd Commission Manon Antoniazzi, Chief Executive and Clerk of the Senedd, Senedd Commission Ed Williams, Director of Senedd Resources, Senedd Commission Simon Hart, Interim Chief Finance Officer, Senedd Commission Adrian Crompton, Auditor General for Wales, Audit Wales Dr Ian Rees, Chair of the Wales Audit Office, Audit Wales Kevin Thomas, Executive Director of Corporate Services, Audit Wales Anne-Louise Clark, Executive Director for Communications



	and Change, Audit Wales
Committee Staff:	Owain Roberts (Clerk) Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk) Owen Holzinger (Researcher) Martin Jennings (Researcher) Ben Harris (Legal Adviser)

Registration

Private pre-meeting

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting of the Finance Committee.

1.2 Mike Hedges MS declared that he is Chair of the Public & Commercial Service Union cross-party group in the Senedd.

2 Paper(s) to note

2.1 The Committee noted the papers.

2.1 **PTN 1 – Letter from the Cabinet Secretary for Finance and Welsh Language:
Finance: Interministerial Standing Committee Meeting (F:ISC) – 26 September
2024**

3 Scrutiny of the Senedd Commission Draft Budget 2025–26: Evidence session

3.1 The Committee took evidence on the Senedd Commission’s Draft Budget 2025–26 from Hefin David MS, Commissioner for Budget and Governance, Senedd Commission;

Manon Antoniazzi, Chief Executive and Clerk of the Senedd, Senedd Commission; Ed Williams, Director of Senedd Resources, Senedd Commission; and Simon Hart, Interim Chief Finance Officer, Senedd Commission.

Break

4 Audit Wales – Scrutiny of the Annual Report and Accounts 2023–24 and the Annual Plan 2024–25: Evidence session

4.1 The Committee took evidence on Audit Wales’s Annual Report and Accounts 2023–24 and the Annual Plan 2024–25 from Adrian Crompton, Auditor General for Wales, Audit Wales; Dr Ian Rees, Chair of the Wales Audit Office, Audit Wales; Kevin Thomas, Executive Director of Corporate Services, Audit Wales; and Anne–Louise Clark, Executive Director for Communications and Change, Audit Wales.

5 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.

5.1 The motion was agreed.

6 Audit Wales – Scrutiny of the Annual Report and Accounts 2023–24 and the Annual Plan 2024–25: Consideration of evidence

6.1 The Committee considered the evidence received.

7 Scrutiny of the Senedd Commission Draft Budget 2025–26: Consideration of evidence

7.1 The Committee considered the evidence received.

8 Reviewing the Public Audit (Wales) Act 2013

8.1 The Committee noted the response from the Auditor General for Wales (AGW).

8.2 The Committee agreed to write to the Cabinet Secretary for Finance and Welsh language, seeking the Welsh Government's views on the AGW's priorities for changes to the 2013 Act and other audit legislation.

9 Changes to the Budget Process Protocol

9.1 The Committee noted the letter from the then Cabinet Secretary for Finance, Constitution and Cabinet Office on the proposed changes to the Budget Process Protocol and related budget procedures.

9.2 The Committee agreed to write to the Cabinet Secretary for Finance and Welsh Language on the changes to the Budget Process Protocol and related budget procedures.

Concise Minutes – Finance Committee

Meeting Venue: **Hybrid – Committee room 4 Ty Hywel and video conference via Zoom**

This meeting can be viewed on [Senedd TV](http://senedd.tv) at: <http://senedd.tv/en/14095>

Meeting date: Wednesday, 25 September 2024

Meeting time: 09.30 – 12.20

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	Thomas Nicholls, Chief Economist, Welsh Government Julian Revell, Head of Fiscal Analysis, Welsh Government Mark Drakeford MS, Cabinet Secretary for Finance and Welsh Language Andrew Jeffreys, Director Treasury, Welsh Government Emma Watkins, Deputy Director, Budget and Government Business, Welsh Government Dr Rhys Ap Gwilym, Senior Lecturer in Economics, Bangor University Dr Edward Jones, Senior Lecturer in Economics, Bangor University



Committee Staff:	Owain Roberts (Clerk) Georgina Owen (Second Clerk) Leanne Hatcher (Second Clerk) Mike Lewis (Deputy Clerk) Martin Jennings (Researcher) Owen Holzinger (Researcher) Christian Tipples (Researcher) Ben Harris (Legal Adviser)
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Registration

Private Pre-meeting

1 Welsh Government Draft Budget 2025–26 – Pre-budget scrutiny: Chief Economist

1.1 The Committee received a pre-budget technical briefing from Thomas Nicholls, Chief Economist, Welsh Government; and Julian Revell, Head of Fiscal Analysis, Welsh Government.

1.2 The Chief Economist agreed to provide the Committee with a note on the following:

- Annual Gross domestic product (GDP) data for Wales,
- Productivity data per sector for Wales and the UK.

Break

Public

2 Introductions, apologies, substitutions and declarations of interest

2.1 The Chair welcomed Members to the meeting of the Finance Committee.

3 Paper(s) to note

3.1 The Committee noted the papers.

3.1 **PTN 1 – Letter from the Cabinet Secretary for Finance, Constitution and Cabinet Office: Welsh Government First Supplementary Budget 2024–25 – 18 September 2024**

4 Welsh Government Draft Budget 2025–26 – Pre-budget scrutiny: Cabinet Secretary for Finance and Welsh Language

4.1 The Committee took evidence in relation to Pre-budget scrutiny from Mark Drakeford MS, Cabinet Secretary for Finance and the Welsh Language, Welsh Government; Andrew Jeffreys, Director Treasury, Welsh Government; and Emma Watkins, Deputy Director, Budget and Government Business, Welsh Government.

4.2 The Cabinet Secretary agreed to provide the following:

- An update on future meetings within the top tier of the Finance: Inter-Ministerial Standing Committee (F:ISC).
- Further information on any modelling or studies relating to the potential impact of raising income tax and / or increasing the number of income tax bands, on cross-border movement of individuals and the amount of income tax revenue received. In particular, any update on the work being undertaken with the Scottish Government and HMRC in relation to longitudinal research carried out by HMRC on taxpayer behaviour, following the implementation of different tax rates in Scotland.

4.3 The Committee agreed to write to the Office of National Statistics regarding the publication of Wales-specific Quarterly Growth Data.

5 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.

5.1 The motion was agreed.

**6 Welsh Government Draft Budget 2025–26 – Pre-budget scrutiny:
Academics from Bangor University**

6.1 The Committee received a pre-budget technical briefing from Dr Rhys Ap Gwilym, Senior Lecturer in Economics, Bangor University; and Dr Edward Jones, Senior Lecturer in Economics, Bangor University.

**7 Welsh Government Draft Budget 2025–26 – Pre-budget scrutiny:
Consideration of evidence**

7.1 The Committee considered the evidence received.

**8 Oversight of Audit Wales: Code of practice governing the relationship
between the Auditor General for Wales and the Wales Audit Office**

8.1 The Committee approved the revised Code of Relationship Practice between the Auditor General for Wales and the Wales Audit Office, in accordance with Standing Order 18.10(ix).

9 Fiscal Intergovernmental Relations: Consideration of draft report

9.1 The Committee considered the draft report and agreed it with minor changes.

Professor Sir Ian Diamond | National Statistician

Peredur Owen Griffiths MS
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

21 October 2024

Dear Mr Griffiths,

Thank you for your letter of 4 October related to quarterly growth data for Wales.

The Office for National Statistics (ONS) made the decision to pause the publication of our Quarterly Regional GDP (QRGDP) publication due to concerns raised by users regarding the quality and volatility of the estimates. This was announced on 7 July 2023¹, after the last publication and estimates were released on 18 May 2023².

Before announcing the pause to the QRGDP publication, the ONS discussed the issue with the Welsh Government, as well as other stakeholders. Recognising the potential data gap caused by pausing QRGDP, we agreed to continue with the production and delivery of the Welsh Short-Term Indicators (WSTI) to provide quarterly data for Wales. WSTI and QRGDP differ in terms of source data, the coverage (QRGDP also covers English regions) and the constraining process (where QRGDP is constrained to Annual Regional Accounts and Quarterly National Accounts) to ensure consistency.

These estimates had previously been funded entirely by the Welsh Government, but we agreed to fund the production and analysis of these estimates, with Welsh Government funding the data collection element, from 2023 Q2 delivery onwards. WSTI has continued to be delivered on a quarterly basis during the pause of QRGDP and is published on the Welsh Government website³.

In the meantime, the ONS have been working with the independent Economic Centre of Excellence (ESCoE) to review the methods for QRGDP and how these data are aligned to national estimates. This review is nearing completion, and we will consider its findings with a plan to bring back QRGDP as soon as is feasible. The ONS will keep this Committee, as well as other stakeholders, updated during this time to provide details on progress and time scales as they become clearer.

Yours sincerely,



Professor Sir Ian Diamond

¹<https://www.ons.gov.uk/news/statementsandletters/pausingofquarterlyregionalgdpestimates>

²<https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpukregionsandcountries/julytoseptember2022>

³ [Short-term output indicators | GOV.WALES](#)

Dawn Bowden AS/MS
Y Gweinidog Plant a Gofal Cymdeithasol
Minister for Children and Social Care

Agenda Item 2.2

Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-DB-10629-24

Russell George MS
Chair
Health and Social Care Committee
Senedd Cymru
SeneddHealth@senedd.wales

25 October 2024

Dear Russell,

Thank you once again for your consideration of the Health and Social Care (Wales) Bill during Stage 1. I am pleased that the majority of your Committee supports the general principles, and I thank Committee Members for this, and for their recommendations.

I have set out below my response to the recommendations.

I hope that the attached information helps to inform your further scrutiny as the Bill progresses through Stage 2. I look forward to continuing to work with Committee Members on the details of the legislation in the near future.

I am copying this letter to the Chairs of the Finance Committee, the Legislation, Justice and Constitution Committee and the Children, Young People and Education Committee.

Yours sincerely,



Dawn Bowden AS/MS
Y Gweinidog Plant a Gofal Cymdeithasol
Minister for Children and Social Care

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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Correspondence.Dawn.Bowden@gov.wales

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.

Health and Social Care (Wales) Bill

Responses to the Health and Social Care Committee's recommendations

Recommendation 1:

A majority of the Committee recommends that the Senedd supports the general principles of the Health and Social Care (Wales) Bill.

I note this recommendation.

The Welsh Government welcomes this support for the general principles of the Bill.

Recommendation 2:

The Welsh Government should continue to work with partners to explore business models currently not provided for in the Bill that would promote the principles of social enterprise whilst still being not-for-profit.

I accept this recommendation.

The Welsh Government will continue to work with partners to consider whether any further not-for-profit business models can be included within the Bill.

However, it will be important to ensure that any further proposed models do not allow profit of any sort to be extracted even where these are types of organisation that the Welsh Government would encourage more broadly, in order to achieve the aim of eliminating private profit from the care of looked after children. It will also be important to ensure that any further proposed models have the welfare of children or such other public good as the Welsh Ministers may prescribe as their primary purpose/objects.

Recommendation 3:

The Welsh Government should amend the Bill to include regulation-making powers to enable the Welsh Ministers to take steps to close any loopholes enabling extraction of private profit from the care of looked after children, should they become apparent in the future. Such regulations should be subject to the affirmative procedure.

I reject this recommendation.

I agree with the Committee's concern that the legislation should not allow organisations to circumvent the restrictions on extracting private profit. However, the Welsh Government believes that the provisions currently in the Bill strike the right balance between providing clarity for providers and ensuring that practices which undermine the intention to eliminate private profit from the care of looked after children can be addressed. As such I do not think that adding further provision of this kind is desirable.

I believe that the principle behind the recommendation is that Welsh Ministers should have some ongoing power to curtail novel behaviours that aim to extract profit in unexpected ways. I would like to reassure the committee and Members on that point

by referring you to the Bill's provisions which provide that unreasonable or disproportionate financial arrangements entered into by those not-for-profit entities which are restricted children's services, would be evidence to which Ministers must have regard when deciding if a provider is a fit and proper person. If the Welsh Ministers are no longer satisfied a person is fit and proper, they may cancel the person's registration.

Recommendation 4:

The Welsh Government should prepare and publish a detailed offer of the guidance and support that it will make available to private and independent providers wishing to transition to a not-for-profit model. This should be done as a matter of urgency, and should be accompanied by a communication plan.

I accept this recommendation in part.

The Welsh Government will continue to work with stakeholders to consider what guidance and support could be made available to private and independent providers wishing to transition to a not-for-profit model. This will build on funding made available earlier this year through Business Wales to provide bespoke support to a number of providers to start planning for transition.

A communication plan has been developed under the Eliminating Profit Programme Board and we are currently working with members to finalise a series of targeted communications to support different parts of the sector to understand the key Bill provisions, and their expected impacts. We will publish these once members have had an opportunity to input and seek wider sector input where appropriate.

Recommendation 5:

The Welsh Government should make a clear commitment to the level of future funding and support it will make available to local authorities beyond the transition period to support the 'eliminate profit' agenda. As a minimum, this should set out funding for the next five years, which will be a crucial time for local authorities in developing their own provision.

I accept this recommendation in part.

This commitment is a priority for the Welsh Government and we intend to continue prioritising our financial support to local authorities to implement the eliminating profit commitment, whilst recognising the need to manage the overall Welsh Government budget within the outcome of the current and future budget planning rounds. Officials are currently meeting individually with each local authority to discuss planning for implementation in their areas, and their expected level of revenue and capital funding required for future years. Once completed these discussions will inform our consideration of the arrangements for, and amount of, funding in future financial years.

Recommendation 6:

The Minister should write to us, within six months of publication of this report, with details of:

- **the work undertaken by the Eliminating Profit Programme Board in monitoring and evaluating the implementation of the ‘eliminate profit’ policy so far;**
- **the more formal evaluation of the Bill proposed by the Minister, including who will be involved in this review, its terms of reference and how frequently it will report.**

I accept this recommendation.

I will write to the Committee by 11 April 2025 updating on the Eliminating Profit Programme Board’s monitoring of the policy so far, and any initial thoughts on evaluation to date. Within that response I will also set out my thoughts on how formal evaluation will be conducted.

Recommendation 7:

The Minister should consider and respond to the recommendation from the Children, Young People and Education Committee, based on its extensive scrutiny of this policy area, “that the Bill be amended to make it mandatory for foster carers to register with Social Care Wales in order to provide foster placements for looked after children, thereby accelerating progress towards a national register of foster carers”.

I accept this recommendation.

I am happy to consider and respond to the recommendation from the Children, Young People and Education Committee. I have already made clear that I am happy to explore how a national register of foster carers would work and how it could add value.

However, introducing such a change would require consultation with all parts of the sector. Appropriate time will be needed to do this properly. I do not therefore consider that this Bill is the right vehicle for progressing this work.

Recommendation 8:

The Minister should review the evidence from stakeholders setting out their significant concerns about the transition timescales proposed by the Welsh Government, and their potential to exacerbate existing sufficiency problems, in order to assure herself that the policy is deliverable within the timescales proposed, without having a detrimental effect on looked after children and young people.

I accept this recommendation.

The Welsh Government continues to carefully consider the evidence received, alongside information gathered from our own engagement with stakeholders.

Recommendation 9:

The Minister should prepare and publish a report on progress with the transition to a not-for-profit model. This should include an update, by local authority, on the number of placements leaving the market and the number of new placements created, and should reflect on the stability of existing placements. It should also include details of the consultation with children and young people directly affected by the Bill and the numbers taking up the active offer of advocacy. This should be done at six monthly intervals, starting from the date of the Stage 1 debate.

I accept this recommendation.

I will arrange for publication of a six-monthly progress report with intended publication of the first report by 22 April 2025 (6 months after the general principles debate).

Recommendation 10:

The Minister should ensure that any guidance or Code of Practice issued in relation to section 13 confirms that the Bill does not prevent local authorities from placing a child in a supplementary placement prior to Ministerial approval being granted, and that Welsh Government officials are able to act on behalf of Welsh Ministers to approve placements, if necessary. Such guidance should emphasise that the use of supplementary placements should not become the default position, particularly during challenging times.

I accept this recommendation.

The Welsh Government will ensure that the Code of Practice or guidance provides clarity on these issues.

Recommendation 11:

The Minister should prepare and publish an annual report on supplementary placements approved by the Welsh Ministers under the Bill. This report should include anonymised data on matters including, but not limited to, the age-bracket of the child; local authority; the type of placement requested (for profit foster, for profit, residential, out-of-county, out-of-Wales, unregistered); whether the child was already in the placement, cost bracket). An exception must apply to any report produced in line with this recommendation, to the effect that the report must not include any data which, when read in conjunction with any other publicly available information, would enable any individual to be identified. The Minister should include provision for this on the face of the Bill.

I accept this recommendation in part.

While I do not consider this requirement is necessary to be included within the primary legislation, I will update the Senedd periodically on the position regarding Welsh Ministers' approval of supplementary placements.

Recommendation 12:

When correcting paragraph 55 of the Explanatory Notes to remove the term ‘unregistered’ placement, the Minister should make it explicit that placements which are not registered with Care Inspectorate Wales are unlawful and must not be used as ‘supplementary placements’ or under any other circumstances.

I accept this recommendation in part.

Placements that are not registered with Care Inspectorate Wales do not come within the scope of ‘supplementary placements’ and therefore could not be the subject of an application by a local authority for approval under section 81B. While we do not consider the Explanatory Notes to be the appropriate avenue to clarify this we will ensure we make this clear to local authorities when we begin detailed work on guidance to support operation of the supplementary placement process.

Recommendation 13:

The Welsh Government should commit to producing accessible resources aimed at informing children and young people about the Bill and how to make known their views on it.

I accept this recommendation.

As part of our planned communications aimed at different parts of the sector, the Welsh Government has produced a draft document for children and young people explaining the key elements of the Bill and what it means for them. We are currently reviewing this with Eliminating Profit Programme Board members and expect to publish this in the coming months. We will continue to work with those organisations that represent children and young people to ensure their voices can be heard and ongoing communication needs considered.

Recommendation 14:

The Minister should amend the Bill to include provision for an active offer of advocacy for children and young people whose care arrangements may be affected by the Bill.

I accept this recommendation in part.

I accept that children should have an active offer of advocacy for all placement types and locations. Advocacy for all children looked after is already a statutory requirement, therefore the Bill does not need to include this provision.

Section 178 of the Social Services and Well-being (Wales) Act 2014 outlines the local authority’s duty to provide advocacy services to specified persons. This duty extends to children who are looked after, ensuring that these children have access to advocacy services if they need help to:

- Express their views (whether on a specific issue, care plan, or day-to-day decisions).
- Understand their rights (regarding care arrangements or legal proceedings).
- Participate fully in decisions about their care and well-being.
- The local authority is obliged to ensure that children looked after can access advocacy services to support their involvement in decisions about their care.

This is an active offer, meaning that advocacy services must be proactively offered to these children, rather than waiting for them to request it.

Recommendation 15:

The Minister should amend section 10 of the Bill to make it explicit that:

- **placing a child “near to” the local authority’s area means a bordering or adjacent local authority, and**
- **the use of this provision should be exceptional circumstances.**

I reject this recommendation, although I do commit to reviewing the Explanatory Notes for clarity.

I accept that it may be helpful to have some additional text in the Explanatory Notes to help the reader understand how “near to” should be interpreted. I do not think it would be helpful to restrict use of the provision to exceptional circumstances without defining what these might be and we do not think it plausible to do so where there is potential for such a wide range of circumstances specific to the cases of individual children.

Members will also note that the phrase “is near to” is inserted into the general duty for a local authority to secure sufficient accommodation of the relevant sort, not a duty about placing individual children, so it is unclear that an amendment would work in the way envisaged.

Recommendation 16:

The Minister should set out the actions being taken by the Welsh Government in relation to awareness-raising of mandatory reporting, by organisations, of child sexual abuse. She should do this in time to allow Members to consider her response and be able to table amendments to the Bill if they do not believe these actions are sufficient.

I accept this recommendation.

We will provide a written response to the Committee about the awareness raising of existing organisational duties to report, detailing what we have undertaken and continue to undertake in Wales.

We wholly agree with the Independent Inquiry into Child Sexual Abuse, that where there has been disclosure, witnessing or observation of other evidence that a child is experiencing or is at risk of sexual abuse, this must be reported without delay. Our existing duties, and well-established procedures, support this and aim to help protect and to prevent all harms to children, and adults with care and support needs.

In Wales we have been focusing on close collaboration with key partners, with the purpose of strengthening and improving compliance with safeguarding requirements, already in place, across our regulated childcare, education, health and social care settings.

We have also published revised National Minimum Standards for Childcare, enhancing the standard in relation to safeguarding; and published a draft Quality Framework for Early Childhood Play, Learning and Care, which includes a quality standard around safeguarding babies and young children from all forms of harm.

The new National Framework for Commissioning Care and Support will further highlight the responsibilities of local authorities and health boards to ensure that services provided on their behalf safeguard and promote the well-being of children and adults; and will prompt them to promote the Wales Safeguarding Procedures in their commissioning activities.

During the remainder of this Senedd, we intend to engage widely and further explore views on how best to ensure that others who provide services or offer activities for children and adults, who may be experiencing or at risk of abuse, have proportionate and effective safeguarding arrangements in place.

A series of roundtable discussions with stakeholders will begin in November to test out stakeholder views on placing mandatory reporting duties on individuals.

Given the nature of such a serious change it is important that stakeholders are central to that journey.

Recommendation 17:

The Minister should provide an update on progress with the development of the central hub to support the implementation of direct payments for continuing healthcare. This should include details of its current operational status, staffing numbers, operating costs and the number of people receiving advice and support. It should be produced within six-months of the Stage 1 debate, and annually thereafter.

I accept this recommendation.

The Welsh Government will provide these updates on the development of the central hub as it is being established.

Recommendation 18:

The Minister should amend the Bill to make provision for a ‘right to information, advice and support’ for individuals seeking to take up direct payments for continuing healthcare. Any guidance issued under this provision should include information about transitions between social care and CHC, and should promote continuity of care as far as possible.

I accept this recommendation in part.

We are committed to ensuring that information, advice and support is available to support take-up of direct payments for continuing health care. An information booklet for individuals, families and carers was published in 2022 upon the publication of the current Continuing NHS Healthcare Framework. This will be refreshed to include

information about the availability of direct payments for individuals who are, or may be, entitled to CHC. There is also already a power in the new section 10C (to be inserted into the 2006 Act by section 24(2) of the Bill) which will enable health boards to be required to arrange for information, advice and other support in connection with direct payments. I therefore do not consider that an amendment is needed.

In addition, provision of information, advice and support for individuals is already planned through the introduction of a support Hub for direct payments for CHC. The Hub will raise awareness of the availability of direct payments, as well as providing information, advice and support to those interested in receiving direct payments for CHC.

The transition from social care to CHC direct payments will be a particular focus for the provision of information, advice and other support. Links will be maintained to local authority and third sector support which is provided for social care direct payment recipients, to ensure that there are also familiar and trusted contacts for those transitioning to NHS direct payments for CHC.

Recommendation 19:

The Minister should give further consideration to the concerns of stakeholders that, in rural areas in particular, direct payments can sometimes be the only available option in the absence of other services. She should work with partners to consider how any service limitations in these areas can be managed and how best to support the individuals affected by them.

I accept this recommendation.

The Welsh Government will give further consideration to these concerns and will work with partners to consider how any service limitations in rural areas can be managed and how best local health boards and other partners can support those affected.

Recommendation 20:

The Minister should provide an update periodically setting out her assessment of the progress being made to prepare health boards for their new responsibilities in this area. This should be done on a six-monthly basis, and should start following completion of the Stage 1 debate. As part of this, the Minister should ensure that health boards are actively working with local authorities to learn from their experiences and best practice.

I accept this recommendation.

I will provide these updates on the progress being made by health boards as they prepare to take on these new responsibilities.

Recommendation 21:

The Minister should write to us in six months with an update on progress with the development of the new performance framework and implementation plan for CHC in Wales. This should include guidance on safe delegation of

appropriate tasks and details of the metrics developed specifically for direct payments to enable progress and success to be measured.

I accept this recommendation.

The Welsh Government is working on an action plan that will identify and address known issues with the current National CHC Framework. This action plan includes the redevelopment and roll out of the performance framework.

The Welsh Government is also exploring the requirements of guidance for the safe delegation of tasks.

Recommendation 22:

The Minister should:

- **monitor the spend by health boards over the initial three years of the policy, and report back at the end of this period on the financial position of health boards as regards their ability to continue to fund and deliver direct payments for continuing healthcare, and**
- **continue to monitor and review spending by health boards on this policy going forward.**

I accept this recommendation in part.

The Welsh Government will monitor the spend and financial impact of the delivery of direct payments for health boards over the initial three years of the policy as part of the evaluation.

Beyond that period the Welsh Government's approach will be informed by the outcome of the evaluation.

Recommendation 23:

The Minister should work with relevant Cabinet colleagues and wider partners to promote the role of Personal Assistant (PA), to drive up the numbers of applications and to improve retention of staff longer term. Appropriate training will be an important part of this work.

I accept this recommendation.

Following research commissioned by the Social Care Fair Work Forum, the current Welsh Government-led PA Stakeholder Group was established and earlier this year agreed to take forward actions relating to: Pay; Terms and Conditions; Training and Development; Promoting Trade Unions and promote the support and information available for PAs. The PA Stakeholder Group includes representation from Government, Trade Unions, Social Care Wales and employer representatives for PAs.

In addition, last year an "All Wales PA Working Group" was developed with representatives from each local authority aiming to drive forward better terms and conditions for PA's and bring parity across the local authorities. These two groups

are working closely together to ensure clear links and understanding of what work is taking place to improve the role for PAs.

Some actions already being taken forward include the inclusion of PAs in the development of the Social Care Workforce Pay and Progression Framework, which will ensure PAs are considered in relation to pay and progression as part of the wider workforce moving forward. In addition, the Stakeholder Group has commissioned a survey which is currently being undertaken by Social Care Wales across Local Authorities to establish what training is available for PAs and consistency in approach to training across Wales. We expect the results of this survey shortly and will consider how the Welsh Government can ensure a fair and national approach to training for PAs moving forward.

We recognise the value of our PAs and are committed to improving their terms and conditions to encourage more people to take up the role, but to also retain those dedicated workers already in place.

Recommendation 24:

The Minister should update the Committee, upon completion of the CHC framework review, highlighting any changes and additional eligibility guidance that have been provided as a result of the review.

I accept this recommendation.

The Welsh Government will provide a briefing on what elements of the CHC Framework have changed following a review.

Recommendation 25:

The Minister should ensure that the UN Convention on the Rights of Disabled Persons features prominently in guidance issued on Part 2 of the Bill.

I accept this recommendation.

Paragraph 65 of the Social Services and Well-being (Wales) Act 2014 Part 2 Code of Practice: General Functions sets out that “when exercising social services functions in relation to disabled people who need care and support and disabled carers who need support, local authorities must have due regard to the United Nation Convention on the Rights of Persons with Disabilities.” Any guidance issued on Part 2 of the Bill relating to direct payments in continuing healthcare would similarly highlight the importance of the UN Convention on the Rights of Disabled Persons.

Recommendation 26:

The Minister should:

- **ensure that the post-implementation review of the Bill considers the awareness, amongst social care users, about the new option of direct payments for CHC;**
- **agree to request from LHBs and then make available the datasets from LHBs which are intended to provide a picture of take-up of direct payments for CHC across Wales, and**
- **provide details of the timescales for the post-implementation review.**

I accept this recommendation.

The evaluation of the introduction of CHC direct payments will consider awareness among social care users of the option of direct payments for CHC.

The evaluation will also include acquiring the datasets from LHBs which will be used to understand take-up of CHC direct payments in Wales.

Timescales for the evaluation have not yet been fixed but the Welsh Government will provide an update on this as part of a future update on implementation.

Dawn Bowden AS/MS
Y Gweinidog Plant a Gofal Cymdeithasol
Minister for Children and Social Care



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-DB-10629-24

Mike Hedges MS
Chair
Legislation, Justice and Constitution Committee
Senedd Cymru
SeneddLJC@senedd.wales

25 October 2024

Dear Mike,

Thank you once again for your consideration of the Health and Social Care (Wales) Bill during Stage 1. I thank Committee Members for the detailed consideration of the Bill, and for their recommendations.

I have set out below my response to the recommendations.

I hope that the attached information helps to inform your further scrutiny as the Bill progresses through Stage 2. I look forward to continuing to work with Committee Members on the details of the legislation in the near future.

I am copying this letter to the Chairs of the Finance Committee and the Health and Social Care Committee.

Yours sincerely,

Dawn Bowden AS/MS
Y Gweinidog Plant a Gofal Cymdeithasol
Minister for Children and Social Care

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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.

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.

Health and Social Care (Wales) Bill

Responses to the Legislation, Justice and Constitution Committee's recommendations

Conclusion 1:

As a general matter of principle, a Bill should not be introduced into the Senedd until all relevant impact assessments have been fully completed, such that all relevant information can be included in the Explanatory Memorandum that must accompany a Bill in accordance with Standing Order 26.6.

The Explanatory Memorandum and Regulatory Impact Assessment laid alongside the Bill at introduction included an assessment of impact and the Welsh Government will also seek to provide further information to Members of the Senedd during scrutiny where requested.

Conclusion 2:

As a matter of good practice, an Explanatory Memorandum should provide clear information about the Welsh Government's assessment of the potential impact of a Bill on human rights and accordingly, how it is compatible with the European Convention on Human Rights.

Ministers agree that it is helpful for an Explanatory Memorandum to provide clear information about the Welsh Government's assessment of a Bill's compatibility with Convention rights and all Explanatory Memorandums have included such information. Bill provisions are always subject to thorough assessment of legislative competence including Convention rights.

Conclusion 3:

We have concerns that the Bill was introduced too early and before all necessary preparatory work had been completed, including but not limited to, consulting on a draft version of the Bill and the preparation of impact assessments and the Statement of Policy Intent for Subordinate Legislation to be made under the Bill.

In line with Standing Orders, the Explanatory Memorandum and Regulatory Impact Assessment laid alongside the Bill at introduction included an assessment of impact. In order to aid the Senedd's consideration of the Bill, we endeavour to publish full versions of the documentation as soon as possible after the Bill has been introduced. The Government did consult extensively on these proposals in 2022. The reasons for not consulting on a Draft Bill are provided at paragraph 4.10 of the Explanatory Memorandum.

Conclusion 4:

As a general principle, we believe that legislation should clearly define terms that it uses, rather than require the reader to exercise a degree of interpretation when doing so, however simple that interpretation may be perceived to be by the relevant Welsh Minister.

Conclusion 5:

As a matter of principle, if information can be set out on the face of the Bill, that is where it should be placed, for reasons of transparency, certainty and good legislative practice.

We have considered and responded to conclusions 4 and 5 together.

As we have set out in *Writing Laws for Wales: A guide to legislative drafting*, “Legislation must be effective, but it should also be as clear as possible.” We always encourage comments on our approach to drafting legislation and we will reflect on the points raised by the Committee.

Recommendation 1:

The Minister should respond to the conclusions and recommendations we make in this report at least two working days before the Stage 1 general principles debate takes place.

I accept this recommendation in principle.

The Welsh Government endeavours to respond to the Committees as soon as reasonably possible but it is not always practical for Welsh Ministers to do this prior to the Stage 1 debate.

Recommendation 2:

The Minister should update the Senedd on the Welsh Government’s discussions with the UK Government regarding the outstanding Minister of the Crown consent required for paragraph 4 of Schedule 2 to the Bill.

I accept this recommendation.

I am pleased to confirm to the Committee and the Senedd that the Secretary of State for Wales has written to me to provide Minister of the Crown consent for the provisions in paragraph 4 of Schedule 2 to the Bill.

Recommendation 3:

The Minister should state whether she has had discussions with the Counsel General and the Welsh Government Cabinet about the priority which should be attached to the consolidation of the law on the regulation and provision of social care services and health care in Wales.

Recommendation 4:

The Minister should commit to assessing and scoping the consolidation of the law on the regulation and provision of social care services and health care in Wales, and report to the Senedd on this work within 12 months of the Bill being passed.

I have considered and responded to recommendations 3 and 4 together.

I accept recommendation 3, and I reject recommendation 4.

The Government's priorities for the consolidation and codification of Welsh law in this Senedd are set out in our Future of Welsh law programme (revised January 2024). The Counsel General will be laying the next annual report on progress against that programme before the Senedd in due course, but Members will be aware the consolidation and codification of historic environment has been completed, the second Bill in the programme has just been introduced on 21 October, and the Government will be bringing forward the consolidation of planning law in Wales next year.

The Committee's continuing commitment to the accessibility of Welsh law and support for consolidation is helpful. However, the current accessibility of law programme does not include proposals for this Senedd term on the consolidation of social care services or health care law in Wales so I am unable to accept Recommendation 4 at this time. Nonetheless, the findings in the Committee's report will be taken into account as proposals for future consolidation projects are developed and I have shared the Committee's views on this matter with the Counsel General.

Recommendation 5:

The Minister should amend the Explanatory Memorandum (including the Explanatory Notes) by the start of Stage 3 proceedings to ensure it accurately reflects the intention of the Bill to restrict rather than eliminate the making of profit from the care of looked after children.

I reject this recommendation.

The provisions of the Bill are intended to prevent the extraction of profit from the provision of a restricted children's service. Any trading surplus or profit is retained within the organisation providing the service, and can be re-invested. This is clearly explained in the Explanatory Memorandum and we believe it is also understood by stakeholders that this is the way in which we are seeking to eliminate private profit from the care of looked after children.

Recommendation 6:

The Minister should table amendments to the Bill to include a date on which the transitional arrangements to be introduced under Part 1 of the Bill will end, and to enable such a date to be amended by regulations subject to the draft affirmative procedure.

I reject this recommendation.

The Welsh Government has not pursued the option of including an end date for the transition period on the face of the Bill which could be extended by subordinate legislation. That approach would mean that children settled in placements with for-profit providers might be aware of a date approaching by which their placement will automatically be ended, unless the date was extended by subordinate legislation. The end date could potentially be subject to multiple extensions to avoid disruption to children, but this could, in itself, be distressing for children who may be aware of the deadlines approaching and then being extended.

Instead, the power already in the Bill will allow Welsh Ministers to determine the end of the transitional period for restricted children's services in a manner sensitive to the needs of children still in such placements, and will allow placement disruption for children and service providers to be avoided or minimised.

Recommendation 7:

Should the Bill receive Royal Assent, the Minister should ensure that information is provided to all stakeholders about the transitional arrangements that will apply under Part 1 of the Bill in such form that the arrangements can be easily understood.

I accept this recommendation.

As part of our communications plan for the eliminating profit programme, we will provide information to stakeholders about the transitional arrangements.

Recommendation 8:

The Minister should explain clearly how any phased ending of the transitional arrangements under Part 1 of the Bill would work in practice, including how the rights of children will be affected if they have to move placements.

I accept this recommendation.

As part of our communications plan for the eliminating profit programme, we will provide further information on how the transitional arrangements will work in practice including how children may be affected. We accept that it has a degree of complexity and we may need to come back to it from time to time to reassure and to explain to those affected by it. The aim of the flexible transitional period is precisely to avoid the need for children to have to move placements as a result of the status of the provider of the foster carer or the children's home. This opens the way to the ending of the transitional period in a way which avoids any interference with the rights of children caused by ending a placement.

Recommendation 9:

The Minister should explain clearly:

- **why it is appropriate to potentially treat local authorities individually and therefore differently in respect of Part 1 of the Bill, but not in respect of Part 2;**
- **the implications for health and social care in Wales of such an approach.**

I accept this recommendation.

The Welsh Government is happy to provide an explanation for the approach taken to these two policies.

In Part 1, Chapter 1 of the Bill, the Welsh Government is seeking to eliminate private profit from the care of looked after children across Wales, so that in future, residential care, secure accommodation and foster care of looked after children in Wales will be provided by the public sector, or by charitable or not-for-profit organisations.

Some parts of Wales are likely to reach a point where all of their relevant provision is not-for-profit before other parts. It is therefore appropriate that powers in the Bill can enable the Welsh Ministers to end transitional arrangements for those parts of Wales that have eliminated private profit, so that this progress is not reversed.

Part 2 of the Bill contains powers to enable direct payments in health care. While in England direct payments were piloted in certain parts of the country, this is unnecessary in Wales as we can learn from the experience of implementation in England. It is therefore intended that regulations to enable direct payments for continuing healthcare will apply across Wales and that implementation will take place across the whole of Wales over the same period.

Recommendation 10:

The Minister should table an amendment to the Bill so that when calculating the number of days for the purpose of new section 2A(2) of the Regulation and Inspection of Social Care (Wales) Act 2016 (to be inserted by section 2(b) of the Bill), it is clear that the 12-month period must be continuous.

I reject this recommendation.

The Welsh Government is going to give further consideration to the wording of new section 2A(2) of the 2016 Act (to be inserted by section 2(b) of the Bill) which is likely to render this proposed amendment superfluous.

Recommendation 11:

The Minister should clarify why the term ‘looked after children’ is to be introduced to the Social Services and Well-being (Wales) Act 2014 by the Bill when the term is not used in the operative provisions of the original Act.

I accept this recommendation.

The term “looked after children” is used in the cross heading to Part 6 of the 2014 Act and in a number of the section headings so that it is plain to the reader that the phrase “looked after” means the same whether it is placed before the words “child”, or “children”, or after.

Recommendation 12:

If the Minister decides to continue with the use of the term ‘looked after children’, the Minister should table an amendment to the Bill to clarify its meaning including, if necessary, by defining the term within new paragraph 1(3B) of Schedule 1 to the Bill (to be inserted by section 2(c) of the Bill).

I accept this recommendation.

The Welsh Government will table an amendment at Stage 2 to clarify the meaning of the term ‘looked after children’ in the amendment inserted into the Regulation and Inspection of Social Care (Wales) Act 2016.

Recommendation 13:

The Minister should table an amendment to the Bill to include a definition of ‘public good’ in new section 6A of the Regulation and Inspection of Social Care (Wales) Act 2016 (to be inserted by section 3(3) of the Bill).

I reject this recommendation.

The power to prescribe other public goods which could allow an organisation to meet this condition, in order to deliver a restricted children’s service, would only be used to specify an additional acceptable public good, in addition to the welfare of children.

The other condition and requirements would still apply to these providers.

The Welsh Government does not believe that this requirement is exceptionally broad or in need of further definition. As a point of comparison, in the definition of community benefit society in section 2(2) of the Co-operative and Community Benefit Societies Act 2014, the test around an organisation's purposes is "that the business of the society is being, or is intended to be, conducted for the benefit of the community". The community interest test for a community interest company is equally wide and is defined by reference to what a reasonable person would consider are activities being carried on for the benefit of the community or a section of the community.

Recommendation 14:

The Minister should table an amendment to the Bill to apply a super-affirmative procedure to the making of regulations under new section 6A(3)(b) of the Regulation and Inspection of Social Care (Wales) Act 2016 (to be inserted by section 3(3) of the Bill).

I accept this recommendation in part.

Whilst the Welsh Government does not consider that a super-affirmative procedure is appropriate in these circumstances it is willing to apply the draft affirmative procedure.

Recommendation 15:

The Minister should consider tabling an amendment to the Bill to clarify how objects or purposes are to be determined, and by whom under new section 6A(3) of the Regulation and Inspection of Social Care (Wales) Act 2016 (to be inserted by section 3(3) of the Bill).

I accept this recommendation in part.

I am happy to provide clarity on how and by whom objects and purposes are to be determined. The task of determining whether a provider’s objects or purposes comply with regulation 6A(3) will be for the regulator, that is to say Care Inspectorate Wales carrying out the functions of the Welsh Ministers. All relevant providers will have their objects/purposes set out in their governing documents and Care Inspectorate Wales will have a margin of discretion in deciding whether these primarily relate to the accepted purposes or not. I consider that having made a statement to that effect removes the need for a clarificatory amendment.

Recommendation 16:

The Minister should table amendments to section 3 of the Bill to remove the definition of a ‘company having a share capital’ to be inserted into new section 6B(6)(b) of the Regulation and Inspection of Social Care (Wales) Act 2016 and replace it with an appropriate definition in respect of the phrase ‘without a share capital’.

I accept this recommendation in principle.

The Welsh Government will give consideration to the drafting of the relevant provision with a view to addressing the point raised by the Committee.

Recommendation 17:

The Minister should consider tabling an amendment or amendments to ensure that it is clear what ‘wholly or mainly to children’ means in each place that it is used in the Bill.

I accept this recommendation in principle.

I am happy to commit to giving consideration to how best to avoid confusion or a lack of clarity about the intentions behind the use of “wholly or mainly to children”.

Recommendation 18:

The Minister should table an amendment to the Bill to remove the regulation-making power from paragraph 2(4)(b) of new Schedule 1A (to be inserted by section 4 of the Bill).

I accept this recommendation.

The Welsh Government will table an amendment at Stage 2 to remove the regulation-making power.

Recommendation 19:

The Minister should table amendments to section 6 of the Bill to ensure that the drafting of new sections 9B(2)(e) and 9B(3)(d) is in line with conclusion 4 of our report.

I reject this recommendation.

As I set out in my letter on 9 July, we are content that no difficulty or ambiguity of interpretation is created by the current drafting.

Recommendation 20:

The Minister should table an amendment to section 14 of the Bill to include the timeframe for the publishing of an annual return by a service provider in new section 10(4A) of the Regulation and Inspection of Social Care (Wales) Act 2016.

Recommendation 21:

The Minister should consider tabling an amendment to section 14 of the Bill to enable regulations subject to the draft affirmative procedure to change the timeframe for the publication of an annual return by a service provider (to be set out in new section 10(4A) of the Regulation and Inspection of Social Care (Wales) Act 2016 Act as a consequence of recommendation 20).

I have considered and responded to recommendations 20 and 21 together. I reject both recommendations.

To set a timescale for the publication of annual returns on the face of the Bill would constrain the regulator in its necessary work to agree a process for working with providers post-submission to ready them for publication. This process will inform the timescale set out in regulations. Stipulating a timescale on the face of the Bill is inconsistent with the approach already taken in the 2016 Act in relation to the time limit for submitting an annual return, which is set out in Regulations made under the negative procedure.

Recommendation 22:

The Minister should table an amendment to section 19(1) of the Bill to ensure its wording is consistent with the policy intention set out in section 19(2).

I accept this recommendation.

An amendment will be tabled at Stage 2 to make this amendment.

Recommendation 23:

The Minister should table an amendment to the Bill to require that paragraph 7 of new Schedule A1 to the Social Services and Wellbeing (Wales) Act 2014 (to be inserted by section 20 of the Bill) is free-standing and its policy intent does not require repeating in regulations to be made under paragraph 1 of new Schedule A1.

I reject this recommendation.

For the reasons set out in our response on 9 July, the Welsh Government does not believe that this amendment to the Bill is required. The ability of health boards to offer direct payments for mental health after care services is entirely contingent on the making of the Regulations – health boards will not be able to offer direct payments without the Regulations being in place and the statutory framework must therefore include the restriction discussed.

Recommendation 24:

The Minister should provide detail on all the services that could be subject to direct payments using the provisions to be inserted into the National Health Service (Wales) Act 2006 by section 24. This information should be provided no later than the commencement of Stage 3 proceedings.

I accept this recommendation in principle.

The power will enable direct payments in health care to recipients with a wide range of conditions and diagnoses. It would not be appropriate to provide an exhaustive list of where a direct payment could be made in lieu of services. In addition, it would be taking a 'medical model' approach and would not be in keeping with the social model of disability to be prescriptive in terms of type of condition or disability. However, I would be happy to provide the Committee with indicative information.

Recommendation 25:

The Minister should review the breadth of the provisions in section 24 including whether the Bill may allow the Welsh Ministers, at some point in the future, to make payments to people who have not been assessed as having a primary health need. Having done so, the Minister should make a statement to the Senedd about the outcome of this review no later than the commencement of Stage 3 proceedings.

I reject this recommendation.

The provisions in section 24 have been the subject of careful consideration during the drafting and scrutiny processes and should be retained as drafted to allow for the introduction of direct payments for CHC.

Recommendation 26:

If the Minister's intention remains to exercise the regulation-making power under section 10B(5) of the National Health Service (Wales) Act 2006 (to be inserted by section 24 of the Bill) solely for all Local Health Boards at the same time, the Minister should table an amendment to the Bill to reflect that intention (and remove the ability for it to be exercised in respect of one Local Health Board only).

I reject this recommendation.

The Welsh Government does not believe that this amendment to the Bill is required. The Minister has already set out to the Committee the Government's intention to exercise the power for all health boards at the same time.

Recommendation 27:

The Minister should table an amendment to the Bill such that the meaning of 'a person lacking capacity' as set out in new section 10B(8)(b) of the Social Services and Well-being (Wales) Act 2014 (to be inserted by section 24(2) of the Bill) is described by all relevant provisions of the Mental Capacity Act 2005 that specify its meaning.

I reject this recommendation.

As set out in earlier correspondence with the Committee, defining "mental capacity" by reference to the Mental Capacity Act 2005 generally as opposed to a more specific reference to section 2 is the more common practice in the statute book. It is the same formulation used in section 197(5) of the 2014 Act.

In addition, because the definition in section 2 is subject to additional provision in section 18(3) (referred to in section 2(6)), in our view it is more appropriate to refer to the definition by reference to the whole Act.

Recommendation 28:

The Minister should table an amendment to the Bill such that regulations to be made under section 10C(1) of the National Health Service (Wales) Act 2006 (to be inserted by section 24(2) of the Bill) are subject to the draft affirmative procedure.

I accept this recommendation.

The Welsh Government will table an amendment to apply the draft affirmative procedure to this regulation-making power.



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Cymru • Wales

Your ref:

Ask for: Michelle Morris

Our ref: MAM/mdm



Date: 29 October 2024



Peredur Owen Griffiths MS
Chair, Finance Committee

By email only
seneddfinance@senedd.wales

Dear Peredur

Review into operations, processes and investigations - Councillor Code of Conduct Complaints

I refer to the recent report by Dr Melissa McCullough following her independent review of my office's work on Councillor Code of Conduct complaints.

When the report was published, I welcomed the report and the confirmation that my office's decision making, in respect of Code of Conduct complaints, is free from political bias. The report on the review recognised the excellent work done by the Code of Conduct Team and it was pleasing that the Independent Reviewer stated that the review findings should provide reassurance that there can be trust and confidence in the work of the Public Services Ombudsman for Wales. I immediately accepted all the recommendations, and confirmed that the lessons learned would be used to further strengthen internal policies and practices, recruitment, and training.

Following its publication, it was good to have the opportunity to discuss the report, its findings and its recommendations with the Committee on 10 October. I confirmed, at that meeting, that I accepted all the recommendations and lessons learned, and that I would be preparing an action plan that I would share with the Committee following discussion with my Advisory Panel.

I have now had those discussions and I am pleased to provide a copy of the action plan to the Committee. The action plan shows how each recommendation and each lesson learned will be taken forward, together with the associated timescales.

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to accept and respond
to correspondence in Welsh.

As I indicated to your Committee, the PSOW Audit & Risk Assurance Committee will monitor the implementation of the action plan and I will include an update in my next Annual Report and Accounts.

I trust that this information is helpful. I would, of course, be happy to provide any further information or clarification you may need.

Yours sincerely

A handwritten signature in black ink that reads "MMA Morris". The letters are slightly slanted and connected in a cursive-like style.

Michelle Morris
Public Services Ombudsman

Independent Review of investigations into code of conduct complaints

Recommendations and Lessons Learned

Recommendations

	Recommendation	Action to be taken	Target Date for Completion	Decision/ Completion Date
1	Documenting the political affiliation of the Accused Member			
1	In order to mitigate the risk of unconscious bias on the part of the Investigation Officer and to underpin the fairness of the complaint assessment process, it is recommended that steps are taken to ensure that the political affiliation of the Accused Member is not recorded on the Pre-assessment and Assessment Form ('PAAF'). The process manual will need to be amended accordingly, with updated instructions for the Intake Team.	Agreed. The Complaints Process will be updated to clarify that a member's political affiliation must not be included on the case file when the case record & PAAF form is being created and this change will be implemented in practice.	30 September 2024	26 September 2024
2	Accused Member not informed of complaint until after assessment			
2	In the interests of fairness and transparency, it is recommended that the PSOW considers reverting to the previous practice of notifying the Accused Member of the complaint once it is received. This would also protect the PSOW from criticism in that regard, which might arise from circumstances in which the Accused Member is unsuspected of the complaint and learns of its existence via a third party or the media. If the PSOW decides to revert to the previous practice, the process manual will need to be amended accordingly.	Agreed. PSOW will undertake a consultation on this aspect of its procedure to seek the views of Monitoring Officers, One Voice Wales, the WLGA and members of public authorities in Wales via these representative groups. The practice of other regulatory bodies who undertake work of a similar nature to PSOW's Code of Conduct work and any resource implications for PSOW will also be considered. PSOW will carefully consider the responses and other information gathered when deciding whether to revert to its previous practice. It will	31 January 2025	

	Recommendation	Action to be taken	Target Date for Completion	Decision/ Completion Date
		publish its decision on this recommendation and implement any changes to its process.	31 March 2025	
3	Investigation Officer decisions not to investigate			
	Notwithstanding the applicable provisions in the process manual and in the Decision Review Process, it is recommended that an additional review/ check mechanism is put place for the purpose of quality assuring the Investigation Officer decisions in this regard, particularly around the public interest test, and as a further safeguard against the potential for unconscious bias on the part of the Investigation Officer. This recommendation is supported by findings from the staff interviews. Given the volume of complaints, however, the proposed measure needs to be proportionate and it is suggested that this could be achieved by way of occasional random sampling of Investigation Officer decisions.	<p>Agreed.</p> <p>PSOW will introduce an additional review/check mechanism to quality assure Investigation Officer decisions, particularly around the public interest test.</p> <p>This will be undertaken on an at least annual basis and achieved by way of random sampling of Investigation Officer decisions.</p>	31 March 2025	

	Recommendation	Action to be taken	Target Date for Completion	Decision/ Completion Date
4	Code Team Manager's delegated authority to overrule Investigation Officer proposals to investigate and Investigation Officer proposals to extend the investigation or commence a new investigation against another member			
	Notwithstanding the applicable provision in the Decision Review Process, it is recommended that an additional review/check mechanism is introduced in respect of these delegated decisions, in order to mitigate the risk of unconscious bias on the part of the Code Team Manager when deciding not to agree Investigation Officer proposals. It is suggested that this measure could also be achieved by way of random sampling of Code Team Manager decisions. Also, the Scheme of Delegation should be updated to include these Code Team Manager decision-making powers.	<p>Agreed.</p> <p>PSOW will introduce an additional review/check mechanism to quality assure decisions taken by the Code Team Manager to overrule Investigation Officer proposals to investigate; to extend an investigation or to commence a new investigation against another member. This will be undertaken on an at least annual basis and achieved by way of random sampling of decisions.</p> <p>PSOW will update its Scheme of Delegation to include the Code Team Manager's decision-making powers.</p>	<p>31 March 2025</p> <p>30 November 2024</p>	
5	Opportunity for the Accused Member to provide comment			
	The review recognises that, as part of the combined PSOW and Adjudication Panel for Wales/standards committee process, the Accused Member has a number of opportunities to comment on the facts of the case. The review therefore found the process to be demonstrably fair. That said, the PSOW may wish to consider whether there are any additional points in the process in which there would be a benefit in providing the Accused Member with the opportunity to comment further on relevant facts, particularly in advance of reaching draft	<p>Agreed.</p> <p>Members have the opportunity to comment on the facts of the case on three occasions under the current Code process. PSOW will consider whether there are any additional points in the process in which there would be a benefit in providing the Accused Member with further opportunity to comment on the facts of the case</p> <p>PSOW will seek views from the President of the Adjudication Panel for Wales on this issue in light of the Tribunal's expertise and</p>		

	Recommendation	Action to be taken	Target Date for Completion	Decision/ Completion Date
	conclusions/findings on whether the evidence is suggestive of a breach.	experience of adjudicating cases which the PSOW refers to it for hearing. PSOW will publish its decision on this recommendation and implement any changes to its process.	31 January 2025 31 March 2025	
6	Public interest factors and considerations			
	The review recognises the factors and considerations listed are non-exhaustive, but recommends that PSOW gives consideration to developing more detailed internal guidance on assessing the public interest test. Additionally, the public interest factors and considerations should be reviewed regularly.	Agreed. PSOW will introduce more detailed internal guidance for staff on assessing the public interest test and provide training for staff on this. PSOW will review its public interest factors and considerations on an annual basis.	31 March 2025 31 March 2025	

	Recommendation	Action to be taken	Target Date for Completion	Decision/ Completion Date
7	Clarificatory amendments			
I	The process manual is amended to address the apparent contradiction in terminology whereby “direct evidence that a breach of the Code took place” is a requirement for a complaint to pass assessment stage (paragraphs 5.4 and 5.5) whereas an investigation can be concluded based on the finding that there is “no evidence of a breach of the Code” (paragraph 13.1(a))	Agreed. Paragraph 5.4 and 5.5 of the process manual will be amended to ‘direct evidence that a breach of the Code may have taken place’.	30 November 2024	
II	The process manual is amended to reflect the existing practice that, when the Lead Review Officer upholds a complaint review request, the reassessment/ reconsideration is undertaken by a different Investigation Officer to the Investigation Officer who undertook the original assessment/investigation	Agreed. The process manual will be amended to reflect existing practice that when the Lead Review Officer upholds a complaint review request, the reassessment/ reconsideration is undertaken by a different Investigation Officer to the Investigation Officer who undertook the original assessment/investigation	30 November 2024	
III	The Scheme of Delegation is updated in light of the retitling of the Lead Review Officer post to make clear that the Lead Review Officer has delegated authority in respect of decisions on whether to uphold a review request that the complaint should be reassessed/reconsidered.	Agreed. The Scheme of Delegation will be amended to make it clear that the Lead Review Officer has delegated authority in respect of decisions on whether to uphold a review request that the complaint should be reassessed/reconsidered.	30 November 2024	

Lessons Learned

	Lesson Learned	Action to be taken	Target Date for Completion	Decision/ Completion Date
1	Whether the PSOW's Staff Code of Conduct, policies and practices relating to social media usage could be more comprehensive in relation to setting out the circumstances in which social media activity by an employee amounts to misconduct, both in their work and private lives, with consideration of current case law in relation to freedom of expression (Article 10) and other relevant precedent cases.	Staff Standards of Conduct Policy will be reviewed and Social Media requirements will be expanded and clarified. This will be subject to staff and trade union consultation: <ul style="list-style-type: none"> • Review existing policies by: • Revised policies drafted by: • Management Team and Advisory Panel consideration by: • Consultation with staff and TU – responses by: • Management Team approval of new policies by: • Implementation 	31 August 2024 30 September 2024 30 October 2024 20 December 2024 31 January 2025 1 February 2025	
2	Whether steps need to be taken to ensure clear information is provided as part of any PSOW recruitment processes to ensure candidates are made aware of any necessary curtailment of PSOW employees' right to freedom of expression, including activity on social media.	Information in recruitment packs will be revised by:.	31 January 2025	
3	Whether bias/unconscious bias assessments should be a mandatory part of the recruitment process.	Consideration will be given to this, available assessments, value and costs to inform decision on future approach by:.	31 January 2025	
4	Whether mandatory refresher training on unconscious bias and on social media usage should be implemented on an annual basis.	Unconscious bias annual training arranged for all staff by:	30 September 2024	

	Lesson Learned	Action to be taken	Target Date for Completion	Decision/ Completion Date
		Social media usage training and unconscious bias training will be included in each annual training plan	31 March 2025	
5	Whether, should similar exceptional circumstances arise, the PSOW requires any further policies or processes to be in place to support its staff.	We will engage with staff to understand the scope for additional measures, policies or procedures to support staff by: Review of policies and support arrangements for staff by:	31 December 2024 31 March 2025	
6	Whether, due to the particular challenges arising from investigating the conduct of elected members, appropriate training is in place for applicable PSOW staff in relation to resilience in managing the pressures and vulnerabilities which come with this role.	We will engage with staff to review resilience training and identify need for additional training for staff by: Review of policies and support arrangements for applicable staff by:	31 December 2024 31 March 2025	



Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2026

October 2024

Jointly prepared and laid before the Senedd under
Section 20(1) of the Public Audit (Wales) Act 2013

Ian Rees

Chair, Wales Audit Office

Adrian Crompton

Auditor General for Wales

Audit Wales
1 Capital Quarter
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Cardiff CF10 4BZ

For each financial year, Section 20 of the Public Audit (Wales) Act 2013 requires the Auditor General and the Wales Audit Office jointly to prepare an estimate of the income and expenses of the Wales Audit Office and to lay that estimate before the Senedd at least five months before the beginning of the financial year to which it relates.

In accordance with Section 20 of the Act, each estimate must cover (amongst other things) the resources required by the Auditor General for the exercise of his statutory functions.

The Finance Committee of the Senedd may make any modifications to the estimate which it considers appropriate, but no modification can be made unless:

- The Auditor General and the Wales Audit Office have been consulted; and
- any representations that either may make have been taken into account.

The Welsh Ministers must each year move a motion in the Senedd under Section 125 of the Government of Wales Act 2006 that includes authorisation of the resources to be used (including accruing resources) and payments to be made by the Wales Audit Office. This Estimate sets out the amounts to be included in respect of the Wales Audit Office.

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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Foreword

Audit Wales exists to give the Senedd and the people of Wales confidence in a high-performing and accountable public sector. It provides transparency and accountability for taxpayers and their elected representatives. It provides public bodies with accurate and reliable financial information with which to plan and manage their services and finances effectively.

Our value for money work is vital to robust parliamentary accountability through the Senedd Public Accounts & Public Administration, Finance and other Committees. We audit the accounts and governance of over 800 public bodies across Wales, providing the principal means of assurance about how public money in Wales is being managed from the Welsh Government itself to the smallest community council, through almost every area of public service delivery.

Public audit provides the Senedd, public bodies and the public with independent assessment of the use and management of public money and early warning of problems. When the quality or timeliness of audit reduces, the risks of waste, fraud, and mismanagement increase.

The Minister for Finance and Local Government set out the challenges for public sector spending in Wales in her letter of 19 July 2024 – setting out the significant uncertainties for Welsh public finances post 2024-25.

We recognise this pressure on the public finances. Indeed, it is that pressure that makes the work of Audit Wales all the more essential. The need for value for money from every pound of public spending, and for trusted, timely assessment of the state of financial management and governance in the Welsh public sector, has never been greater. It is the responsibility of the Auditor General and the Wales Audit Office Board to make clear to the Senedd what is needed to provide that through a strong, sustainable, independent public audit office. Without such an office, the risk of failing to make best use of those scarce resources is greatly increased. And the cost to the public purse of the weaknesses that quickly arise as a result, far outweigh the cost of maintaining a properly resourced, high quality public audit regime. The total cost of delivering the independent assurance and insight of Audit Wales represents a little over 1 penny for every £10 spent on devolved public services in Wales.

Taking all this into account, our Estimate allows for an increase in our baseline call on the Welsh Consolidated Fund (WCF) in resource terms of 2.9%. An average increase in our fee rates of 1.7% is allowed for in the draft Fee Scheme appended to the Estimate.

Our [Annual Report and Accounts for 2023-24](#) sets out our record of achievement for the last financial year. In April this year we laid our [Annual Plan for 2024-25](#) at the Senedd. This Estimate secures funding for our forward priorities for 2025-26 and includes indicative funding requirements and considerations for future years. Our Annual Plan for 2025-26 will be laid before the Senedd before March 2025.

We look forward to discussing our Estimate with the Finance Committee in due course.



Ian Rees

Chair, Audit Wales



Adrian Crompton

Auditor General for Wales

Budget 2025-26

Our budget for 2025-26 totals £28.4m and provides for:

- the audit of accounts and our performance audit work at over 850 audited bodies for which we charge fees in line with the provisions of the Public Audit (Wales) Act 2013;
- National Value Examinations and Studies and Local Government Studies;
- work to explore themes arising from our accounts work;
- support for our response to issues brought to our attention by members of the public and their elected representatives;
- our Pan Wales financial training programme;
- participation in the National Fraud Initiative, and our Good Practice Exchange; and
- the non-cash IFRS16 implication of our West Wales office move.

	2025-26 £'000	2024-25 £'000	% change compared to 2024-25
Staff costs	23,360	22,312	4.7%
Accommodation	718	731	(1.8%)
T&S	352	303	16.2%
NFI cyclical costs	-	130	(100%)
Other costs	3,504	3,149	11.3%
Capital investment	467 ¹	310	50.6%
Total Expenditure	28,401	26,935	5.4%
Audit Fee income	18,610	17,476	6.5%
Total call on WCF	9,791	9,459	3.5%
Call on WCF (cash)	9,236	9,127	1.2%

Budget Ambit 2025-26

Estimated budget requirements of the Wales Audit Office for the year ending 31 March 2026

- 1 Under Section 125 of the Government of Wales Act 2006, Ministers must move a Budget Motion in the Senedd to authorise the use of resources, retention of income and drawings of cash from the WCF for certain relevant persons, including the Wales Audit Office.
- 2 In respect of the services and purposes of the Wales Audit Office and the Auditor General in the year ending 31 March 2026, the Budget Motion will authorise:
 - the amount of resources which may be used in the financial year by the Wales Audit Office (in line with the budget for the year);
 - the amount of resources accruing to the Wales Audit Office in the financial year, which may be retained rather than being paid into the WCF; and
 - the amount which may be paid out of the WCF to the Wales Audit Office.
- 3 These requirements, which due to the variability of income streams can only be estimates, are summarised in **Exhibit 1**.
- 4 Details of how we propose to use this funding to deliver public audit in Wales in 2025-26 are set out in our supporting information.

Exhibit 1: summary of the estimated 2025-26 budget requirements

	£'000
Resources, other than accruing resources, for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office and the Auditor General and on the administration of the Wales Audit Office.	9,791
Accruing resources from fees and charges for audit, grant certification and related services; other recoveries of costs associated with the functions of the Auditor General or Wales Audit Office; miscellaneous income such as from publications, conferences, provision of administrative, professional and technical services and recoveries of costs incurred for a third party – all for use by the Wales Audit Office on the discharge of the functions of the Auditor General and on related services and the administration of the Wales Audit Office.	18,610
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office.	9,236

- 5 **Exhibit 2** provides a reconciliation of the Wales Audit Office's total resource request with its net cash requirement for the year ended 31 March 2026.

Exhibit 2: reconciliation of resource requirement to cash drawing requirement from the WCF

	£'000
Net request for resources	9,791
Non-cash adjustment – depreciation and interest	(608)
Non-cash adjustment – IFRS16 capitalisation	(187)
Lease rental payments	200
Movements in working capital (utilisation of dilapidations provision)	40
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office	9,236



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Website: www.audit.wales

We welcome correspondence and
telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a
galwadau ffôn yn Gymraeg a Saesneg.



Supporting information for the Estimate of Income and Expenses for Audit Wales for the year ended 31 March 2026

October 2024

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Estimate summary

Overview of Estimate 2025-26

- 1 With this Estimate we are requesting to increase our baseline call on Welsh Consolidated Fund (WCF) funding in 2025-26 by 2.9%¹.
- 2 The main drivers of the change in our call on WCF for next year are set out in **Exhibit 8** on **page 18**: These are:
 - Senedd Reform and the impact of proposed changes to the Wellbeing of Future Generations Act
 - increased cyber security requirements
 - inflationary pay increases
 - board development
 - the non-cash IFRS16 implications of our West Wales office move
 - a reduction in our capital investment requirements
- 3 We have allowed for an increase in our fee income of £1,134,000 (6.5%) for 2025-26. This increase reflects our plan to deliver more audit work than in a typical year as we reduce our backlog of audits and bring forward completion deadlines, along with a proposed 1.7% increase to our fee rates as set out in the draft fee scheme appended to this Estimate. More information on our proposals for fee income are set out on **page 13**.

Pwyllgor Cyllid / Finance Committee
FIN(6)-23-24 P2

Our response to the Statement of Principles

- 4 In May 2019, the Senedd Finance Committee issued a Statement of Principles for Directly Funded Bodies (DFBs) to consider when preparing their annual Estimates.
- 5 On 19 July 2024 the Cabinet Secretary for Finance, Constitution & Cabinet Office wrote to the Chair of Finance Committee setting out the factors to inform future budget planning and the Government's best assessment of the level of funding available in future years.
- 6 The letter set out the significant uncertainties in the outlook for the Welsh Government's budget after 2024-25 given that the new UK Government had yet to set out its own fiscal plans and the Welsh Government had no funding settlement beyond 2024-25.
- 7 The Welsh Government Draft Budget published in December 2023 was accompanied by the Chief Economist's Report which included a projection for the Welsh Government resource budget for years beyond 2024-25. This was based on the previous UK Government's spending assumptions for the next few years, as used in the OBR forecasts last November (and which remained the same for the latest OBR forecasts in March this year). These assumptions stipulated that discretionary resource spending would increase by 1% a year in real terms and that capital spending would be broadly cash flat.
- 8 We have responded to the Statement of Principles, and the Cabinet Secretary's letter by:
 - identifying efficiencies both in our organisational processes and audit approach to minimise both the increase in funding requested from WCF and our audit fees for 2025-26;
 - set out in this document how we seek to maximise value for money at Audit Wales; and
 - provided evidence for changes in our funding requirements in 2025-26.

Value for money at Audit Wales

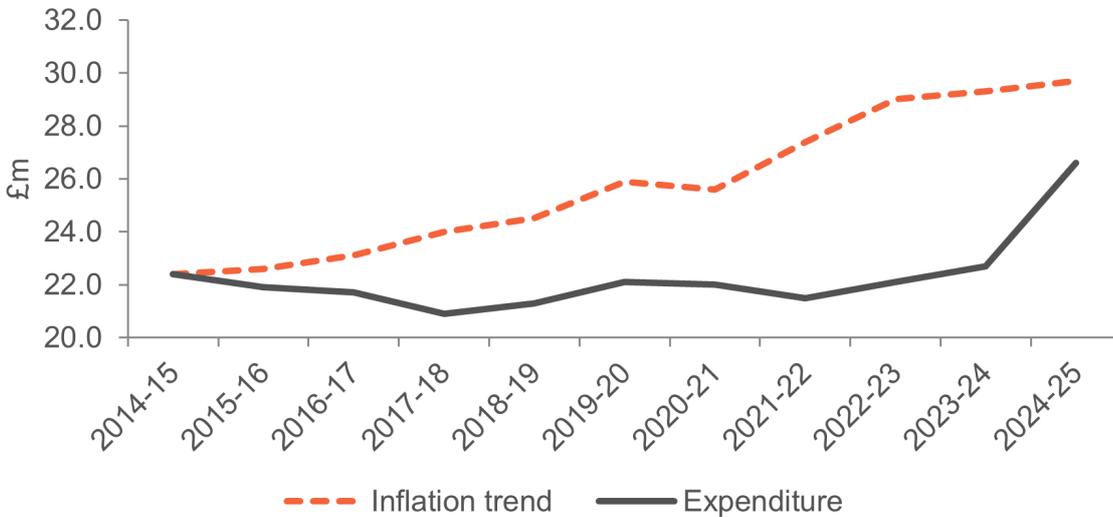
The value of public audit

- 9 Audit provides transparency and accountability to taxpayers and their elected representatives. It provides public bodies with accurate, reliable financial information with which to plan and manage their services and finances effectively.
- 10 Audit provides the Senedd, public bodies and the public with independent assessment of the state of financial and corporate management in the public sector and early warning of problems arising. When the quality or timeliness of audit reduces, the risks of waste, fraud and mismanagement increases.
- 11 In England, significant measures to tackle a worsening backlog in local audit and restore transparency and accountability over how public money is spent have been announced by the Ministry for Housing, Communities and Local Government.
- 12 This comes after just 1% of local bodies published their accounts on time in 2023-24 with the backlog expected to increase to around 1,000 audits this year.
- 13 In Wales we are in a much better position with a relatively low historical backlog on our principal audits. As at 30 September 2024 we have three 2022-23 unitary authority audits, one 2022-23 national park audit and one joint committee audit which are outstanding, all of which relate to audit issues at the particular bodies. For 2023-24 audits to date, all NHS audits were completed to the deadline set by Welsh Government. Work on the central government and local government sectors is progressing well.
- 14 But we cannot be complacent – we are still behind where we should be, but the additional funding agreed in our Estimate for 2024-25 has significantly improved our ability to recruit and retain staff. That means that we are now working through our backlog of audits at pace with the aim of clearing our audit backlog by the end of 2026.
- 15 This Estimate is aimed at maintaining the momentum for this work so that we do not prejudice the good progress currently being made.

Our performance to date

- 16 We are acutely aware of the importance of demonstrating that we bear down on our own costs and provide value for money.
- 17 At Audit Wales, we continually strive to provide world class public audit for the Welsh public sector in the most cost-effective way.
- 18 In the last ten years we have reduced the cost of public audit in Wales by 10% in real terms² despite an increase in the scope of our work, increased requirements for audit quality and new auditing standards. This reduction is represented in **Exhibit 1**. The increase in 2024-25 represents the additional investment in staff required to clear the backlog of audit work. This has been funded from fees rather than WCF.
- 19 The cumulative savings generated across those years amounts to over £31 million.

Exhibit 1: the cost of public audit 2014-15 to 2024-25



2 Based on GDP deflators published by ONS, June 2024.

20 We have made these savings by:

- significantly changing the shape of our workforce. We have reduced the proportion of directors and managers in our workforce and have invested in a graduate and apprentice training programme – providing opportunities for school leavers and graduates in Wales and improving social mobility as well as providing future financial managers for the Welsh public sector. In 2024-25 we further invested in this programme using additional WCF funding supported by the Senedd Finance Committee.
- in-sourcing our audit work. Since 2021-22 we no longer use private sector firms to carry out our audit work. In this regard we are unique amongst the UK public audit bodies. Though adding to the delivery pressures on Audit Wales staff, this has protected the public purse from significant price increases for this work being experienced by other UK audit agencies.
- reducing the cost of travel from £1.2million in 2019-20 to just over £350,000 in this Estimate. We negotiated with our trade unions the removal of a travel allowance previously paid to our audit staff and we have changed the way that we work to reduce our overall travel – providing environmental as well as cost efficiencies.
- we have moved to smaller, cheaper and more energy efficient offices, which still meet business need, in both North and South Wales saving around £250,000 each year despite increased utility costs. Early in 2025-26 we will be moving our West Wales office into the Welsh Government offices in Penllergaer.
- we continually challenge our non-pay budgets and our operating model to drive out efficiencies where possible.
- we are using technology and data analytics to carry out our audit work as efficiently as possible and minimise our travel across Wales.

21 More detail on our most significant savings initiatives is provided below.

Our Future Workplaces

- 22 In February 2020, we commenced a project to review our use of accommodation with a target to identify cost savings of £200,000 per year, deliver environmental improvements by moving to more energy efficient offices, and to contribute to wellbeing. In recognition of the changes to our working arrangements following the COVID pandemic, we also sought to secure premises that aligned with our smarter working principles, enabled flexibility for future business needs and to protect audit quality.
- 23 As the lease on our Cathedral Road office was due to expire in March 2023 and this was our most expensive and least energy efficient property, finding a new office in Cardiff was our top priority. Several options were considered and in July 2022 the Board approved a business case to relocate our Cardiff office to Capital Quarter at a cost saving of £220,000 per year with significantly improved Environmental standards and located near to public transport.
- 24 In June 2023, the Board considered a further business case to relocate our North Wales office from Abergele to the Welsh Government offices at Llandudno Junction. This move was completed in September 2023, delivering annual savings of £20,000 for Audit Wales but also savings for the wider public purse by utilising vacant space at the Welsh Government offices.
- 25 The final phase of our future workplaces project will be completed in April 2025 following the Board's decision to relocate our West Wales office in Penllergaer to share space at the Welsh Government offices also at Penllergaer. This will deliver savings of £10,000 per year.
- 26 In total this will bring overall savings from the reshaping of our estate to £250,000 per year as well as delivering more modern office accommodation for our staff and environmental improvements.
- 27 Since 2023, carbon emissions attributed to our offices have reduced by 58%. The moves have also contributed to a 77% increase in business miles by bus and a 64% increase in EV/hybrid vehicle miles.

Travel and subsistence

- 28 In 2019 our external auditors, RSM, completed a value for money review of our travel and subsistence arrangements which concluded that these did not represent value for money as a fixed travel allowance was paid to all staff classed as 'mobile' regardless of how much travel was undertaken.
- 29 In response to the RSM review we initiated negotiations with our Trade Unions to change staff terms and conditions and revise our pay scales and travel and subsistence arrangements.
- 30 At the time, we estimated that the new arrangements would deliver ongoing annual savings of £200,000.
- 31 2024-25 is the first year that new arrangements are fully in place and we are now estimating higher annual savings – of almost £300,000 – as compared to previous arrangements. These increased savings reflect an increase in the number of staff who would previously been classed as mobile along with a reduction in overall travel as compared to 2019.

Our budget 2025-26

Budget 2025-26

- 32 Around two thirds of the running costs of Audit Wales are met from fees that we charge audited bodies for our work. The remaining third, along with all capital expenditure, is met directly from WCF – more detail on which is provided in the next chapter.
- 33 This Estimate describes our total budget for 2025-26 including that part which is funded by fees. A draft Fee Scheme for 2025-26 which explains how fees will be charged to audited bodies is appended to this document.
- 34 A summary of our revenue budget in both cash and resource terms is attached as **Appendix 1**. Further detail is provided below.

Staff costs

- 35 **Exhibit 2** details our proposed staff budget for 2025-26. This budget makes provision for the employment of 312 full time equivalent (FTE) staff – as compared to 300 FTE in 2024-25. This increase in staffing is linked to our ambition to address the backlog of audit work that has built up over recent years. Funding for this increase in staffing is met entirely from fees charged to audited bodies.
- 36 We have made provision for an inflationary pay uplift for our staff which will be the subject of negotiations with our Trade Unions in 2025.
- 37 We have also allowed for expected savings from in year staff turnover of 5%. This level of turnover has been exceeded in recent years as we saw the loss of members of staff due to the increasingly competitive market for audit professionals. During 2024-25 we are seeing turnover return to more normal levels, but we cannot be complacent and need to ensure that our pay and employment offer remains competitive.
- 38 In addition, we have a budget set aside to fund short term temporary staff required to meet peaks in workload and to provide cover for maternity and sickness absence to ensure that we can continue to deliver audit work.

Exhibit 2: Staff costs 2025-26

	Change			
	2025-26 £'000	2024-25 £'000	Resource £'000	Cash £'000
Staff salaries including pension and NI	23,839	22,647	1,192	1,192
5% vacancy savings	(1,208)	(1,132)	(76)	(76)
Short term contract staff	729	797	(68)	(68)
Total staff costs	23,360	22,312	1,048	1,048

Accommodation

- 39 Audit Wales has three operational offices serving South, North and West Wales situated in Cardiff, Llandudno Junction and Penllergaer. Over the last two years we have sought to rationalise our office space to reflect new hybrid ways of working – resulting in a reduction in expenditure of over £240,000 each year. For 2025-26 we will see a further reduction of £10,000 following our move to the Welsh Government office in Penllergaer in April 2025.
- 40 The increased cash requirement for 2025-26 reflects the end of an agreed rent-free period at the Cardiff office.
- 41 Accommodation costs for 2025-26 are detailed in **Exhibit 3**.

Exhibit 3: Accommodation costs 2025-26

	Change			
	2025-26 £'000	2024-25 £'000	Resource £'000	Cash £'000
Lease rental	283	296	(13)	123
Business Rates	149	149	-	-
Utilities and other accommodation costs	286	286	-	-
Total accommodation costs	718	731	(13)	123

Travel and Subsistence

- 42 Audit Wales has significantly reduced its travel and subsistence costs in recent years both with the removal of a travel allowance previously paid to our operational staff and with a move to more sustainable ways of working. To ensure audit quality however we do still need to travel to audited bodies for some face-to-face audit work.
- 43 We have increased our budget for travel and subsistence slightly for 2025-26 as we move to more on-site working to ensure we maintain audit quality. This is set out in **Exhibit 4**.

Exhibit 4: Travel & subsistence 2025-26

	Change			
	2025-26 £'000	2024-25 £'000	Resource £'000	Cash £'000
Travel & subsistence	352	303	49	49

Other costs

- 44 **Exhibit 5** provides a breakdown of other non-staff costs for 2025-26.

Exhibit 5: Other costs 2025-26

	Change			
	2025-26 £'000	2024-25 £'000	Resource £'000	Cash £'000
Irrecoverable VAT	500	500	-	-
ICT	683	664	19	19
Audit Wales governance	345	320	25	25
External training	368	326	42	42
NFI annual costs	95	95	-	-
Depreciation & interest	408	396	12	-
Other supplies and services	1,305	1,248	57	57
Cyclical NFI costs	-	130	(130)	(130)
Total other costs	3,704	3,679	25	13

Audit Fees

- 45 For 2025-26 we plan for around 67% of our expenditure to be met from the fees that we charge to audited bodies. We are required by legislation to charge 'no more than the full cost' of the audit work at each audited body. We calculate this full cost based both on our budget for the year and the contribution from WCF towards our running costs.
- 46 We are acutely aware of the financial pressures on all parts of the public sector and our responsibility to deliver our audit work as efficiently as possible. We strive consistently, therefore, to minimise the overall cost of audit to public bodies without sacrificing audit quality.
- 47 The income we receive from fees is governed by a Fee Scheme, which legislation requires us to publish at least on an annual basis.
- 48 Included within this Estimate document is our draft Fee Scheme for 2025-26 (**Appendix 2**). This has been included to demonstrate the interdependency between fee income and the approved Estimate. Following consideration of the Estimate and draft Fee Scheme, we will lay our Fee Scheme for 2025-26 before the Senedd and then confirm estimated fees for next year to our audited bodies.
- 49 In September 2024, we consulted all audited bodies and representative groups on our proposed fee scales for 2025-26 which made allowance for an estimated increase in our average fee rates of 1.8%.
- 50 We received six responses all of which were broadly supportive of our proposal.
- 51 We have subsequently identified additional efficiencies which enable us to reduce the expected increase in fee rates to just under 1.7%.
- 52 Additionally, following a review of the implementation of a new audit quality standard (ISA315) we have been able to identify further efficiencies in our audit approach which means that we are able to reduce our average fee scales for the audit of accounts at Local Government bodies by an average of 3%.
- 53 A breakdown of the fee income we expect to generate in 2025-26 is provided in **Exhibit 6**.

Exhibit 6: Fee income 2025-26

	Change			
	2025-26	2024-25	Resource	Cash
	£'000	£'000	£'000	£'000
Audit of accounts (annual)	11,296	11,114	182	182
Grant certification	998	982	16	16
Performance Audit	4,513	4,441	72	72
Audit catch up	1,803	939	864	864
Total fee income	18,610	17,476	1,134	1,134

- 54 The modest increase in our fee rates for 2025-26 is, in part, driven by efficiencies of scale related to the increase in the numbers of audit staff employed whilst we clear our backlog of work. Once this backlog is cleared and we return to a steady state, post 2026, it is possible that we will see a disproportionate increase in fee rates as a result.
- 55 The Board is focussed on considering how this can be avoided by continuing to review our operating model to identify further efficiencies in our overheads. We are also exploring the potential to increase the work of Audit Wales in areas such as waste and fraud reduction where direct savings to the public purse could be realised, and to undertake more commissioned work (ie income generating work in areas outside the statutory duties of the Auditor General that would contribute to the running costs of Audit Wales).

Capital investment

- 56 Our capital investment priorities for 2024-25 to 2028-29 are set out in **Exhibit 7**.
- 57 Capital investment is targeted at projects that will deliver future efficiencies and savings; ensuring that our ICT provision makes the best use of available technology and that we take advantage of available digital solutions in the delivery of our work.
- 58 The industry move towards cloud based IT solutions with annual rental rather than significant up-front investment along with the completion of our future workplaces project means that we are able to reduce our cash requirement for capital projects from 2025-26.
- 59 Our move to the Welsh Government offices in Penllergaer will require a non-cash IFRS16 related capital budget of £187,000 in 2025-26 – however as the lease is being arranged with Welsh Government there is a nil impact on overall WCF.

Exhibit 7: capital investment

	2024-25 £'000	2025-26 £'000	2026-27 £'000	2027-28 £'000	2028-29 £'000
Change Programme	200	180	180	180	180
ICT Strategy	110	100	100	100	100
IFR16 re West Wales office	-	187	-	-	-
Total	310	467	280	280	280

Our Change Programme

- 60 We have an established change programme within Audit Wales to provide effective management of upcoming change projects. Some of these will require capital investment as set out below.

Future workplaces

- 61 2025-26 sees the final phase of our future workplaces project with a move to the Welsh Government office in Penllergaer planned for April 2025. As well as delivering savings estimated at £10,000 a year for Audit Wales, this move will also benefit the wider public purse by utilising surplus space in the Welsh Government estate.
- 62 Capital investment of £60,000 cash has been identified within our change programme for 2025-26 to fund necessary changes to the office space. In addition, there is a non-cash IFRS16 requirement of £187,000 for the up-front capitalisation of future lease costs. Note however, that although there is a budget implication for Audit Wales, there is no impact on the totality of WCF as the lease payments will be made to Welsh Government.

Our Digital Strategy

- 63 The balance of our change programme funding in 2025-26 will be used to fund improvements in the software used to manage our audit work along with necessary upgrades and improvements to our corporate management information systems.
- 64 Our audit platforms have been developed in-house at substantial savings as compared to off the shelf solutions. There is an annual requirement for on-going development for our performance audit software and in 2025-26 we will be developing a 'proof of concept' for Phase 2 of our financial audit platform as part of our wider strategy to modernise our audit approach.
- 65 We have an established, rolling programme of PC/IT equipment renewal to ensure business continuity and that equipment remains fit for purpose and reliable.



Our call on WCF 2025-26

How we use WCF

- 66 Around 33% of our total budget is funded from the Welsh Consolidated Fund (WCF) with the balance being funded from the fees that we charge to audited bodies (our accruing resources).
- 67 Our proposed use of WCF for 2025-26 as it compares to 2024-25 is set out in **Exhibit 8** along with details of the budget area (per **Appendix 1**) to which it relates.
- 68 In addition, all capital investment is funded directly from WCF.

Exhibit 8: changes in our call on the WCF 2025-26

	2025-26 £'000	2024-25 £'000	Change £'000	Budget area to which it relates
Audit work	4,762	4,590	172	See Note 1
Wider Public sector benefit				
Pan Wales financial training	900	870	30	See Note 2
GPX	621	611	10	See Note 3
NFI (annual costs)	95	95	-	See Note 4
Our running costs				
Staff L&D* ³	800	800	-	Staff costs
2019-20 pensions	732	732	-	Staff costs
Board & associated costs	345	320	25	AW Governance
Travel equalisation*	200	200	-	T&S
Data analytics*	214	207	7	Staff costs & ICT
Cyber Security	180	140	40	ICT
WCF control / compliance*	134	129	5	Staff costs
Translation	90	90	-	Other S&S
Audit quality*	89	86	3	Staff costs
Travel time*	77	76	1	Staff costs
IFRS16(depreciation)	85	73	12	Depreciation
Capital	280	310	(30)	Capital
Baseline WCF	9,604	9,329	275	2.9% increase
NFI cyclical funding	-	130	(130)	Other S&S (Note 4)
IFRS16 Capitalisation	187	-	187	Capital (non-cash)
Total WCF	9,791	9,459	332	3.5% increase
Non cash adjustments	(555)	(332)	(223)	Note 5
Total WCF Cash	9,236	9,127	109	1.2% increase

3 *Items marked with an asterisk represent a contribution from WCF towards the total cost with the balance being recovered from fees.

Note 1: Audit work

- 69 The majority of our audit work (67%) is funded through fees charged to audited bodies with fee rates set to recover all overheads (other than those funded directly from WCF) in line with the no-more than full cost requirement of PAWA 2013. This includes all of our audit of accounts work as well as our local performance audit work.
- 70 Audit work funded from the WCF is costed on the same basis – ie using the fee rates calculated to recover no more than full cost and hence has been increased in line with our proposed 1.7% fee rate increases for 2025-26.
- 71 Audit work funded through WCF includes:
- National Value for Money Examinations and Studies and related work;
 - the Auditor General's programme of national value for money examinations and studies provides support to the scrutiny work of the Senedd. These studies are reported to the Senedd's Public Accounts and Public Administration Committee (PAPAC) and described in our Annual Plan for 2024-25.
 - this funding is also used to help discharge the Auditor General's duties under the Well-being of Future Generations(WFG) (Wales) Act 2015.
 - the PAPAC is one of the key mechanisms for the Senedd to hold to account publicly funded organisations. We therefore aim to ensure that the Committee is well supported by us in its work. Increasingly, we also support the work of other Senedd Committees.
 - staff time associated with our National Fraud Initiative work;
 - work to explore themes arising from our accounts work;
 - support for our response to issues brought to our attention by members of the public and their elected representatives; and
 - for 2025-26 we have identified a further £97,000 of WFG work arising from Senedd Reform and four year electoral cycle.

Note 2: Pan-Wales financial skills development

- 72 Funding from WCF is used to provide ongoing support to our successful programme providing graduate and apprentice opportunities to students from across Wales.
- 73 The increase for 2025-26 allows for an inflationary pay increase from April 2025.
- 74 We currently employ 68 trainees and apprentices providing them with world class training opportunities and ensuring a supply of future finance professionals for the Welsh public sector.
- 75 We use the WCF funding to:
- provide secondment opportunities for our graduate trainees in other Welsh public sector bodies;
 - target our recruitment to improve social diversity and inclusion within our workforce and the wider finance profession in Wales;
 - fund an annual conference for public sector trainees across Wales, which promotes the value and importance of a career in public finance; and
 - support the training costs for our graduate training programme, reducing costs which would otherwise be recovered from fees.
- 76 Since 2015 we have welcomed 10 cohorts of trainees and apprentices to Audit Wales with a total of 172 young people being offered the opportunity to study for a professional accountancy qualification. To date, six of those cohorts have completed their training with 63 of our former trainees now being fully qualified accountants. Of these, 48 were offered roles at Audit Wales and 34 remain in post.
- 77 In August 2024, 26 new graduates and seven apprentices joined Audit Wales including the four additional WCF funded roles approved in our Estimate for 2024-25.
- 78 The total cost of our graduate and apprentice programme for 2025-26 is £3.6 million of which £900,000 is provided from WCF to meet the additional costs associated with the above activities. The balance of the cost is met from the fees charged to audited bodies for the work carried out by our trainees and apprentices.
- 79 A breakdown of how we use the WCF funding provided is set out in **Exhibit 9**.

Exhibit 9: Pan-Wales financial skills development (WCF)

	2025-26 £'000	2024-25 £'000	Change £'000
Trainee and apprentice secondments	355	343	12
Training costs	206	198	8
Programme management	319	309	10
Annual conference	20	20	-
Total funded from WCF	900	870	30

Note 3: Good Practice Exchange

- 80 We use funding provided by WCF to run our highly regarded Good Practice programme free of charge to public bodies and the third sector across Wales.
- 81 Staff time associated with this work is charged at fee rates in the same way as our audit work. The increase for 2025-26 reflects the proposed increase in fee rates from April 2025.
- 82 In 2024, we are running events focused on the role of Audit Committees and how they play a vital role in ensuring good governance arrangements. In addition, we are shaping the GPX programme around the themes included in the Auditor General's report 'From firefighting to future-proofing: The challenge for Welsh Public Services'. This report described areas to improve the use of public money that are consistently identified in our work.
- 83 We have continued to publish a range of good practice outputs through our blog, podcast and resource pages.
- 84 Full details of our upcoming events are detailed on our website.

Note 4: National Fraud Initiative

- 85 Since 2015, the Finance Committee has supported the principle of participation in NFI for all public bodies in Wales at no cost to those bodies. Our recent biennial report identified outcomes valued at £7.1 million across Wales's public services, increasing cumulative outcomes to £56.5 million since 1996.
- 86 Without this funding, the costs of carrying out this work would instead need to be passed on directly to participating bodies as additional fees, potentially resulting in a significant reduction in the number of bodies who opt to take part.
- 87 Funding for our NFI work is subject to alternate year increases/reductions to meet bi-annual Cabinet Office costs for data checking. 2025-26 will see a reduction of £130,000 as compared to 2024-25.
- 88 The cost of our audit work associated with the management of the NFI programme is included in the amount allocated for audit work in **Exhibit 8**.
- 89 A breakdown of the funding allocated for NFI is set out in **Exhibit 10**.

Exhibit 10: National Fraud Initiative cost breakdown

	2025-26 £'000	2024-25 £'000	Change £'000
NFI Application Checker (App Check)	50	50	-
Additional data matching	45	45	-
Payments to Cabinet Office (alternate years)	-	130	(130)
Total	95	225	(130)

Note 5: Non cash adjustments

Exhibit 11: Non cash adjustments 2024-25 to 2025-26

	2025-26 £'000	2024-25 £'000	Change £'000
Depreciation & interest	(408)	(396)	12
IFRS16 Capitalisation	(187)	-	(187)
Accommodation	-	(136)	136
Movements in working capital ⁴	40	200	160
Total non-cash adjustment	(555)	(332)	(223)

⁴ For 2025-26 this is the expected requirement to release a dilapidations provision for our West Wales office.

Our Medium-Term Financial Plan

- 90 Our medium term financial plan assumes that over the next two years, our audit resource will be maintained at 2025-26 levels whilst we seek to address the audit backlog that has arisen since the pandemic.
- 91 Once the backlog has been addressed then from 2027-28 we would expect to see reductions in both staff costs and fee income to reflect our 'steady state' unless we are able to explore opportunities for additional work. Options on how this reduction can be achieved will be reflected in our workforce strategy when it is reviewed at the end of 2025.
- 92 No provision has been included for future pay and price increases.

Exhibit 12: Medium Term Financial Plan 2025-26 – 2029-30

	2025-26 £'000	2026-27 £'000	2027-28 £'000	2028-29 £'000	2029-30 £'000
Staff costs	23,360	23,360	21,760	21,760	21,760
Accommodation	718	718	718	718	718
T&S	352	352	352	352	352
NFI cyclical costs	-	130	-	130	-
Other costs	3,504	3,504	3,504	3,504	3,504
Total expenditure	27,934	28,064	26,334	26,464	26,334
Audit Fee Income	18,610	18,610	17,010	17,010	17,010
Total call on WCF (Revenue)	9,324	9,454	9,324	9,454	9,324
Total call on WCF (Capital)	467	280	280	280	280

Appendices

- 1 Revenue budget 2025-26
- 2 Draft Fee Scheme 2025-26

1 Revenue budget 2024-25

	Resource Estimate 2025-26 £'000	Cash 2025-26 £'000	Resource Estimate 2024-25 £'000	Cash 2024-25 £'000	Year on Year Change (Resource) £'000	Year on Year Change (Cash) £'000
Staff costs	24,568	24,568	23,444	23,444	1,124	1,124
Vacancy management	(1,208)	(1,208)	(1,132)	(1,132)	(76)	(76)
Travel and subsistence	352	352	303	303	49	49
Accommodation	718	718	731	595	(13)	123
Irrecoverable VAT	500	500	500	500	0	0
ICT	683	683	664	664	19	19
Audit Wales governance	345	345	320	320	25	25
External training	368	368	326	326	42	42
NFI annual costs	95	95	95	95	0	0
Depreciation & interest	408	0	396	0	12	0
Other supplies and services	1,305	1,305	1,248	1,248	57	57
Savings target	(200)	(200)	(400)	(400)	200	200
Cyclical NFI costs	-	-	130	130	(130)	(130)
Expenses total	27,934	27,526	26,625	26,093	1,309	1,433

	Resource Estimate 2025-26 £'000	Cash 2025-26 £'000	Resource Estimate 2024-25 £'000	Cash 2024-25 £'000	Year on Year Change (Resource) £'000	Year on Year Change (Cash) £'000
Fee Income						
Audit Fees	17,612	17,612	16,494	16,494	1,118	1,118
Grant certification fees	998	998	982	982	16	16
INCOME TOTAL	18,610	18,610	17,476	17,476	1,134	1,134
Capital	280	280	310	310	(30)	(30)
Capital IFRS16	187	-	-	-	187	-
Movements in working capital	-	40	-	200	-	(160)
Total to be funded from WCF	9,791	9,236	9,459	9,127	332	109

2 Draft Fee Scheme 2025-26

Fee Scheme 2025-26

This is a fee scheme prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013.

This fee scheme is laid before the Senedd under section 24(4)(c) of the Public Audit (Wales) Act 2013.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

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Introduction

- 1 This Fee Scheme has been prepared under section 24 of the Public Audit (Wales) Act 2013 (the Act) (**Appendix 1**). The Fee Scheme, following approval by the Senedd, provides the basis on which we charge fees.
- 2 This Fee Scheme sets out:
 - the enactments under which we charge audit fees (**Appendix 2**);
 - the arrangements for setting those fees, which comprise either;
 - fee scales that set out fee ranges for particular areas of audit work in local government; or
 - fee rates for work not covered by fee scales.
- 3 Broadly, 67% of our expenditure is funded through fees charged to audited bodies. The remaining 33% is provided from the Welsh Consolidated Fund through the budget motion passed by the Senedd.
- 4 Legislation requires that the fees we charge a body **may not exceed** the full cost of exercising at that body the function to which the fee relates. We set our audit fees based on our estimated cost base, the estimated skills mix for audit work and the estimated number of days required to complete the work. We do not and cannot make profits on our work. Our fee rates are set at a level to recover the estimated full cost but no more.
- 5 There is a tension between providing audited bodies with an up-front fee for the work to be undertaken on specific audits and having a sufficiently flexible regime that recognises the inevitability of variances. We set our audit fees based on our estimated expenditure, the estimated skills mix and the estimated number of days required to complete the work. Where the required work is significantly greater than that originally estimated, because of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.

- 6 As set out in our consultation on proposed fees in September 2024, you will remember that for 2024-25 we increased our average fee rates by 6.4% in order to respond to significant staff cost pressures exacerbated by a global shortage of audit and finance professionals, which was impacting our ability to recruit and retain qualified staff.
- 7 We are acutely aware of the pressures facing the bodies that we audit and have challenged our operating model to ensure that our audit fees continue to provide value for money whilst continuing to invest in audit quality which is central to all decisions we make.
- 8 For 2025-26 we have identified efficiencies which will help us keep the average increase in fee rates to under 1.7% as compared to the 1.8% increase anticipated in the consultation.
- 9 The actual fee that any individual audited body will pay depends not just on our fee rates but on the quantum of work and the skill mix required. In 2023-24 you will recall that we implemented a fundamentally different audit approach for our financial audit work, required by new international auditing standards. This required a richer, more costly skill mix that was reflected in higher fees. We have now reviewed the implementation of this new audit approach and identified efficiencies which allow us to reduce our audit of accounts' fee scales for Unitary Authorities by an average of 3% in 2025-26.
- 10 We continue to make significant investment in audit quality to respond to UK-wide reviews⁵ of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit.
- 11 We went beyond the statutory fee consultation requirements and, in September 2024, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2025-26.
- 12 We received just six responses, five of which were supportive of our proposals and one where no comment was made.
- 13 We have consulted separately with One Voice Wales⁶ on proposed changes to our fee scales for Town and Community Councils which reflect our experience of the new audit regime that we have been operating since 2020.

5 Competition and Markets Authority Review; Kingman Review; and Brydon Review

6 One Voice Wales is the representative body for Town & Community Councils in Wales.

Fee rates and fee scales

Fee rates 2025-26

14 Our proposed fee rates for 2025-26 are set out in **Exhibit 1**.

Exhibit 1: proposed fee rates 2025-26

Grade	Rate (£ per hour) 2025-26	Rate (£ per hour) 2024-25
Audit Director	183	179
Audit Manager	141	137
Audit Lead	115	112
Senior Auditor	91	91
Auditor	66	64
Graduate trainee	59	59
Apprentice	47	46

15 We plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis.

Local Government Fee scales 2025-26

- 16 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.
- 17 Fee scales for the audit of 2024-25 financial accounts, together with fee funded performance audit work to be undertaken in 2025-26, are provided in **Appendix C** in relation to unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners, chief constables, town and community councils, and local government pension funds.
- 18 A separate fee scale is provided in relation to the NFI.
- 19 Performance audit includes sustainable development examinations, improvement information audits, improvement assessments and special inspections. Not all these functions apply to all types of audited body.
- 20 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 21 Auditors undertake grant certification work on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are calculated using the fee rates and reflecting the size, complexity or any particular issues in respect of the grant in question.
- 22 The fee rates apply to all audit work except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done under agreements made prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears that the work involved in a particular audit differs substantially from that originally envisaged, we may charge a fee which differs from that originally notified.

- 23 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service.
- 24 To meet statutory responsibilities, it is sometimes necessary for auditors to carry out work which goes beyond their general duties. Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to electors' questions and objections, and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required and are calculated by applying the fee rates published in this Fee Scheme to the team mix and hours of input required for the work.
- 25 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of our audit staff.

Charging of fees

- 26 Each body's Engagement Director will explain the skills mix needed for the audit and the factors influencing the overall fee. Charging arrangements are agreed with audited bodies and may encompass one-off, periodic, regular or annual charging, as appropriate in the circumstances.
- 27 Audited bodies are expected to pay our invoices within their performance target for creditor payments, which is usually ten days. We may charge for the administrative costs incurred in pursuing late payments.
- 28 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 29 On completion of audit assignments, we will assess the actual costs incurred in undertaking the assignment in comparison with the fee charged. We will refund any excess of fee over cost and, conversely, we may charge additional costs where the fee falls short. We will process refunds and additional charges in a manner which seeks to minimise administrative costs, such as through offsetting against future fees or fees for other aspects of audit activity.



Appendices

- A Public Audit (Wales) Act 2013 – full text of section 24**
- B List of enactments under which the Wales Audit Office may and must charge fees**
- C Fee Scales 2025-26**

A Public Audit (Wales) Act 2013 – full text of section 24

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
 - (a) a list of the enactments under which the Wales Audit Office may charge a fee;
 - (b) where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
 - (c) where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount; and
 - (d) where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
 - (a) include different provision for different cases or classes of case; and
 - (b) provide for times at which, and the manner in which, payments are to be made.
- (4) The Wales Audit Office:
 - (a) must review the scheme at least once in every calendar year;
 - (b) may revise or remake the scheme at any time; and
 - (c) must lay the scheme (and any revision to it) before the National Assembly^[7].

7 The extant legislation refers to the 'National Assembly' despite the change in name to 'Y Senedd/The Welsh Parliament'.

- (5) Where the Welsh Ministers prescribe a scale or scales of fees under:
 - (a) section 64F of the Public Audit (Wales) Act 2004 (fees for data matching); or
 - (b) section 27A of the Local Government (Wales) Measure 2009 (Welsh Ministers' power to prescribe a scale of fees) to have effect instead of a scale or scales prescribed by the Wales Audit Office, the Wales Audit Office must revise the scheme to include the scale or scales prescribed by the Welsh Ministers instead of those prescribed by the Wales Audit Office.
- (6) If a revision made in accordance with subsection (5) is the only revision to a scheme, it does not require the approval of the National Assembly.
- (7) The scheme takes effect when approved by the National Assembly or, in the case of a revision made in accordance with subsection (5), once it has been laid before the Assembly.
- (8) The Wales Audit Office must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

B List of enactments under which Audit Wales may and must charge fees

Nature of work	Enactments
The Wales Audit Office may charge fees for the following activities	
Audit of accounts by the Auditor General (other than local government accounts).	Section 23(2) Public Audit (Wales) Act 2013
Value for money studies undertaken by agreement (except educational institutions and local government bodies—see below).	Section 23(3)(a), (b) and (c) Public Audit (Wales) Act 2013
An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement.	Section 23 (3)(ba) Public Audit Wales Act 2013
An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle).	Section 23(3)(ca) Public Audit (Wales) Act 2013
Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013.	Section 23(3)(d) Public Audit (Wales) Act 2013
An extraordinary audit of the accounts of a local government body.	Section 37(8) of the Public Audit (Wales) Act 2004
Advice and assistance provided by the Auditor General for registered social landlords.	Section 145D(2) of the Government of Wales Act 1998
	Terms of payment may only be made in accordance with a scheme for charging fees under s24 of the Public Audit Wales Act 2013

Nature of work	Enactments
The Wales Audit Office must prescribe fee scales for the following activities	
Audit of accounts of local government bodies	Section 20(A1)(a) of the Public Audit (Wales) Act 2004
Assistance to HM Chief Inspector of Education and Training Wales	Section 41A(6) of the Education Act 1997
Studies relating to Registered Social Landlords (housing associations)	Section 145C(3) of the Government of Wales Act 1998
Studies at request of local government bodies	Section 20(A1)(b) of the Public Audit (Wales) Act 2004
Benefit administration studies for the Secretary of State	Section 45(7) of the Public Audit (Wales) Act 2004
Grant certification services	Section 23(4)(a) Public Audit (Wales) Act 2013
Studies at the request of educational bodies	Section 23(4)(b) Public Audit (Wales) Act 2013
Improvement information audits, improvement assessments and special inspections of Welsh Improvement Authorities	Section 27 of the Local Government (Wales) Measure 2009
Special inspections of principal councils	Section 101 of the Local Government & Elections (Wales) Act 2021

C Fee Scales 2025-26

Fee scales for work undertaken under the National Fraud Initiative (data matching)

- 30 The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 31 The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The NFI has been a highly effective tool in detecting and preventing fraud and overpayments.
- 32 Our last [biennial report](#) identified potential savings and over-payments of £7.1 million across Wales's public services, increasing cumulative savings to £56.5 million since 1996.
- 33 Since April 2015, the Senedd has met the costs of running the NFI through payment from the Welsh Consolidated Fund. This is intended to encourage participation of organisations on a voluntary basis and to simplify arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

Exhibit 2: NFI fees

	Fee 2025-26
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards	Nil
Voluntary participants	Nil
All participants may also be provided with access to the NFI Application Checker (App Check)	Nil

Fee scales for Local Government bodies

Unitary authorities

Exhibit 3: fee scale for the audit of 2024-25 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	141	166	191	171
200	170	200	230	205
300	189	222	256	229
400	204	240	276	247
500	217	255	293	262
600	227	267	308	275
700	237	279	320	287
800	245	289	332	297
900	253	298	343	307
1,000	260	306	352	315
1,100	267	314	361	324
1,200	273	322	370	331

Exhibit 4: fee scale for 2025-26 performance audit work

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	111	118	134	115 ⁸

Local Government Pension Funds

Exhibit 5: fee scale for audit of 2024-25 accounts

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	43	56	58	56

Fire and Rescue Authorities

Exhibit 6: fee scale for audit of 2024-25 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	41	49	56	50
40	50	59	67	60
60	55	65	75	67
80	60	70	81	72
100	63	75	86	77

Exhibit 7: fee scale for 2025-26 performance audit work

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	18	18	18	18

National Park Authorities

Exhibit 8: fee scale for audit of 2024-25 accounts

Gross Expenditure £m	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	26	30	35	31
4	31	36	42	37
6	34	40	46	42
8	37	44	50	45
10	39	46	53	48

Exhibit 9: fee scale for 2025-26 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	23	26	24

Police and Crime Commissioners

34 Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCCs) and the Chief Constables (CCs). The split of the total fee between the two bodies in a particular police area will be a matter for auditors to determine, based on accounting requirements and the operational arrangements put in place by each of the bodies.

Exhibit 10: fee scale for audit of 2024-25 accounts

Combined Gross Expenditure of PCC and CC £m	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	71	82	93	84
100	84	97	110	100
150	92	107	122	110
200	99	115	131	118
250	105	122	139	125
300	109	127	145	131
350	114	132	151	136

Town and community councils with annual income or expenditure under £2.5 million

- 35 Town and community councils in Wales are subject to a limited assurance audit regime. The audit arrangements are made to discharge the Auditor General's duties under the Public Audit (Wales) Act 2004. The audit is not commissioned by individual councils.
- 36 In October 2020, the Auditor General published a paper setting out how these audits will be carried out on a three-year cycle as set out in **Exhibit 11**.

Exhibit 11: three-year audit cycle for town and community councils

	Group A	Group B	Group C
2024-25 audits	Full audit	Basic audit	Basic audit
2025-26 audits	Basic audit	Full audit	Basic audit
2026-27 audits	Basic audit	Basic audit	Full audit

- 37 Charges for this work are based on time taken to complete the audit at fee rate charges as set out in **Exhibit 1** on **page 32**.
- 38 **Exhibit 12** provides a range of fees for differing sizes of councils as measured by income and expenditure. These updated ranges take into account Audit Wales' experience of fees arising from the 2021-22 to 2023-24 audits.

Exhibit 12: estimated time charges for the audit of 2024-25 accounts of town and community councils

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Transaction audit	£250 - £500	£300 - £700	£500 - £900	£600 - £1,000	£600 - £1,250	£800 - £1,500
Limited procedures	£200 - £300	£200 - £300	£200 - £300	£250 - £350	£250 - £350	£250 - £350

Fee rates for other work in local government

- 39 Other than those types of bodies for which fee scales have been prescribed as shown above, there are a small number of other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in **Exhibit 1**. This will include audits of Corporate Joint Committees. It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 40 For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004 and in section 15 of the Well-being of Future Generations (Wales) Act 2015). Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to elector challenge and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 41 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity and/or any issues in respect of the grant in question as set out in **Exhibit 13**.

Exhibit 13: estimates of the relative proportions of audit staff grades to be used for different types of grants work.

Grade of staff	Complex grants staff mix %	All other grants staff mix %
Engagement director	1 to 2	0 to 1
Audit Manager	4 to 6	1 to 2
Audit Lead	18 to 21	12 to 16
Auditor/graduate trainee/apprentice	71 to 77	81 to 87

Complex grants include:

- BEN01 Housing and council tax benefits scheme
- LA01 National non-domestic rates return
- PEN05 Teachers' pensions return



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Rydym yn croesawu gohebiaeth a
galwadau ffôn yn Gymraeg a Saesneg.

Interim Report

An assessment of progress made against our 2024-25 Annual Plan during the period 1 April to 30 September 2024.

October 2024

This Interim Report covers the period from 1 April to 30 September 2024. It has been jointly prepared, and is laid before the Senedd, by the Auditor General for Wales and the Chair of the Wales Audit Office, in accordance with the requirements of the Public Audit (Wales) Act 2013.

The Interim Report includes an assessment of the extent to which:

- the exercise of the functions of both the Auditor General and the Wales Audit Office has been consistent with the Annual Plan prepared for 2024-25.
- progress has been made towards achieving the priorities set out in the Plan; and
- progress has been made towards achieving our key performance indicator targets.

Audit Wales is the non-statutory collective name for the Auditor General for Wales and the Wales Audit Office, which are separate legal entities with their own legal functions. Audit Wales is not a legal entity. Consequently, in this Report, we make specific reference to the Auditor General or Wales Audit Office in sections where legal precision is needed.

If you require this publication in an alternative format and/or language, or have any questions about its content, please contact us using the details below.

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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.
Ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome correspondence and telephone calls in Welsh and English.
Corresponding in Welsh will not lead to delay.

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

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Foreword

Rydym yn falch i gyflwyno ein Adroddiad Interim ar gyfer 2024.

We are pleased to present our Interim Report for 2024.

This Report describes the progress we made during the period 1 April to 30 September 2024 on delivering the programmes of work set out in our [Annual Plan for 2024-25](#). We also report on progress made towards achieving our key performance indicator targets, although we are unable to report against several of the indicators until later in the financial year.

We made good progress on delivering a comprehensive and impactful programme of audit work. All audits of 2023-24 NHS accounts were completed by June 2024, and all scheduled audits of central government accounts were completed by September 2024. We are also on track to certify most 2023-24 local government accounts that were prepared on time by the 30 November deadline.

We delivered ten national report outputs in the period 1 April to 30 September 2024 from our programme of national studies. This work plays a key role in supporting the work of the Senedd Public Accounts and Public Administration Committee in its consideration of how resources are used in the discharge of public functions. We also continued to shape our local performance audit work to address the evolving challenges faced by audited bodies.

In terms of our longer-term business improvement priorities, we have now put clear plans in place to catch up with the post-pandemic backlog and bring forward the timeframes for delivery of our local government and NHS work. We also made good progress on introducing a more systematic approach to follow up work, and stronger financial and outcomes analysis in our performance audit work.

To extend engagement with our work, we are now in the final stages of preparing a live online version of our programme of national studies, and of redeveloping the area of our website where we promote examples of good practice. And we have further invested in our trainee and apprenticeship schemes, and launched a longer-term workforce strategy for securing and developing the necessary Audit Wales people resources.

We are committed to building on this momentum for the remainder of the year, using our unique perspective and expertise to assure people that public money is being managed well, explain how that money is being spent, and inspire the public sector to improve.



Adrian Crompton

Auditor General for Wales



Dr Ian Rees

Chair of the Wales Audit
Office

Audit delivery



Local Audit Work

- 1 We undertake local audit work at most public bodies in Wales. This mainly consists of audits of accounts and local performance audit work. A comprehensive list of the public bodies that we audit and the type of local audit work carried out at those bodies is provided in our [Annual Plan for 2024-25](#).
- 2 The biggest area of our local work is auditing the accounts of over 800 public bodies across Wales. Our accounts work provides the Senedd, audited bodies and the wider public with an ongoing independent and expert assessment of financial management and resilience across the public sector.
- 3 As of 30 September 2024, work was on-going to complete our audits of 2023-24 accounts across different sectors. We completed our accounts work at NHS bodies in June 2024 in line with our delivery plan. By the end of September 2024, all scheduled audits of central government 2023-24 accounts were also complete.
- 4 In local government, while delivery of audits of accounts by the 30 November deadline continues to be a challenge, we are on track to certify all unitary authority accounts that were prepared on time by the current deadline of 30 November. We also plan to complete accounts audit work for all fire and rescue authorities and local government pension funds, three of the four police authorities, and two of the three national park authorities, by the end of November 2024.
- 5 During the first half of the year, we also continued to shape and deliver local performance audit work to address the evolving challenges faced by our audited bodies, and where relevant and practical to help discharge the Auditor General's sustainable development examination duties.

6 So far, this has included:

- In the NHS, work to review the approach to identifying and delivering financial savings, managing demand for urgent and emergency care, and health and social care factors affecting timely patient discharge; we have also taken forward planning work for all Wales reviews of NHS waiting list backlogs and digital transformation.
- Work in all 22 councils on their financial sustainability has been completed and a national report has been drafted outlining factors impacting on the sector's ability to meet growing demand and financial pressures. Fieldwork in all councils on how effectively they commission services is underway. Assurance and risk assessment work is being rolled out to all councils while local bespoke audits are continuing to be delivered.

7 Further information on progress made towards addressing the COVID-legacy backlog in our local audit work and bringing our large programmes of work back to pre-pandemic timescales is provided in the Business Improvement section of this report.



National Studies

- 8 We carry out an ongoing programme of national studies. These include other NHS and local government focused studies in addition to our local audit programmes in those sectors. We also prepare additional outputs highlighting common themes from our local audit work. Our Annual Plan for 2024-25 includes details about national studies that were in progress as of 31 March 2024 and about new work that we planned to start in 2024-25.
- 9 The table below lists ten national report outputs of various types that we delivered in the period 1 April to 30 September 2024. They are grouped by the main theme to which they relate but may be relevant to more than one theme.
- 10 We continue to keep our programme of studies under regular review, taking account of the evolving external environment, our own resourcing and the capacity of audited bodies to engage with us. Over the reporting period we have progressed work to establish a dedicated Forward Programme page on our website to provide up-to-date information on live studies.
- 11 We maintain sufficient flexibility so that we can respond effectively to emerging issues of public or parliamentary concern. Additional outputs may also emerge from ongoing research and development work.

National report outputs completed in the reporting period

Theme	National report outputs
Tackling inequality	<u>Arrangements to deliver the affordable housing target and realise wider benefits</u>
Responding to the climate and nature emergency	<u>Delivery of active travel objectives and the management of associated funding.</u>
Service resilience and access	<u>Local government digital strategy.</u>
Well-managed public services	<u>Governance of National Park Authorities.</u> <u>Findings from data matching work on NHS community pharmacy and GP patient registrations.</u> <u>The status of the A465 section 2 road improvement project.</u> <u>Use of performance information in local government to understand user perspectives.</u> <u>NHS finances and data tool update.</u> <u>Governance of Fire and Rescue Authorities.</u> <u>The Welsh Government's support for TVR Automotive Ltd.</u>



Supporting effective scrutiny and accountability

Supporting the work of the Senedd

- 12 During the reporting period, our work continued to play a key role in supporting the work of the Senedd Public Accounts and Public Administration Committee (PAPAC) in its consideration of how resources are used in the discharge of public functions.
- 13 The outputs from our work supported eight formal meetings of the Committee. This included briefing the Committee on various of the national report outputs published in the period (from the list above), as well as our March 2024 report on [Supporting Ukrainians in Wales](#). Among other things, we also supported the preparation of briefing material for the Committee's evidence sessions on [NHS finances and governance](#); and we offered our perspective as the Committee was preparing reports on [Amgueddfa Cymru's 2021-22 accounts](#) and on [building safety](#).
- 14 We have continued to engage with clerking and research teams to other Senedd committees to discuss our work where this is of mutual interest. For example, during the period we engaged with those supporting the Local Government and Housing Committee to share details about our affordable housing work given its relevance to the Committee's [inquiry on social housing supply](#).

Supporting the audit and scrutiny committees of public bodies

- 15 Throughout the reporting period, we regularly attended meetings of the audit and scrutiny committees of public bodies in Wales to provide briefings and report on our local audit work.
- 16 We also continued our regular briefings on audit-related matters to the NHS Audit Committee Chairs and Directors of Finance groups, the local government Society of Welsh Treasurers Group, and the Central Government Audit Committee Chairs Group.

Supporting the public and their local representatives

- 17 We regularly receive correspondence from the public, their local and national elected representatives and others that raises potential concerns about the stewardship of public money and assets.
- 18 During the reporting period, we received 52 items of correspondence and ensured that we responded to those concerns in a fair, proportionate, and professional manner. In addition, 8 individuals contacted us between 1 April and 30 September 2024 indicating that they wished to make a whistleblowing disclosure.

Business improvement

- 19 In our [Strategy for 2022 to 2027](#), we identified three areas of focus where we are prioritising actions to help Audit Wales achieve its overall vision.



A strategic, dynamic, and high-quality audit programme



A targeted and impactful approach to communications and influencing



A culture and operating model that enables us to thrive

- 20 In our [Annual Plan for 2024-25](#), we set out our business planning priorities for the current financial year, aligned with the strategic areas of focus to which they relate. The following tables set out the progress we have made towards delivering each of those priorities over the period 1 April to 30 September 2024.



A strategic, dynamic, and high-quality audit programme

Priorities

Bring forward the timetable for the delivery of accounts audit work in line with Welsh Government deadlines (15 July for NHS and 30 November for local government).

What has been delivered so far in 2024-25

Status: Mostly on track but some further improvement needed

Commentary:

All NHS and scheduled central government 2023-24 accounts have been certified on time. While delivery of the audits of local government sector accounts by the 30 November deadline continues to be a challenge, all local government accounts that were prepared on time will be certified by the deadline.

We have also put clear plans in place to catch up with the backlog in our local government and NHS work to enable us to bring forward the timetables for delivery over three years.

In this reporting period we have:

- Agreed the details of a recovery plan to take us through to 2026.
- Worked with local government treasurers to establish a clear three-year plan to prepare accounts by 30 June each year and for them to be audited by 30 Nov 2024, 31 Oct 2025 and 30 Sept 2026.
- Worked closely with the local government sector to try and improve the timeliness and quality of draft accounts submitted for audit, although this remains a challenge for some local government bodies.
- Started work to ensure our recruitment and selection processes are as efficient as possible to enable the timely filling of vacancies. Over the period we have successfully recruited 27 trainees, 6 apprentices, and 2 senior auditors along with relief auditors to help bring work back on track.

Priorities

Bring forward the time frame for the completion of local performance work such that the majority is completed in year.

What has been delivered so far in 2024-25

Status: Mostly on track but some further improvement needed

Commentary:

In the reporting period we have:

- Put clear plans in place to reprofile our local audit programmes in the NHS and local government to address a significant portion of our backlog, and communicated those changes to audited bodies.
 - Ensured that our resourcing arrangements give priority to reducing the backlog in our local audit programmes, while managing the impact on other work.
 - Progressed external recruitment for vacant roles to bring us back closer to our establishment once new staff are onboarded.
 - Used our contractor pool to secure additional short-term resources to support project work.
 - Progressed project work that will improve management information about the delivery of our audit projects and programmes.
 - Made good progress with other in-year project work.
-

Priorities

Fully embed new auditing and other recently introduced standards, identifying key learning points and scope for efficiency.

What has been delivered so far in 2024-25

Status: On track

Commentary:

Recent reviews from the ICAEW's Quality Assurance Department indicate the quality of our work has not been negatively impacted by the introduction of the new Audit Quality Standard. However, some learning points have been identified and appropriate follow-up training provided to staff.

In 2024-25, year two of the implementation of the new Standard, we have seen tangible efficiencies due to the revised audit approach for NHS bodies and are expecting moderate refunds across our 2023-24 NHS audits.

For the remainder of the year, we will monitor the extent to which efficiencies are also realised for local government audits and will continue to seek to learn lessons and further refine our approach.

So far in 2024-25, we have also:

- Completed ISA 315 refresher training for the 2023-24 audits.
 - Considered the scope to further automate our audit of accounts software platform.
 - Made amendments to our performance audit delivery manual and completed a benefits realisation review.
 - Updated our Code of Audit Practice to take account of the Ethical Standards 2024 and will be shortly rolling out updated training materials.
-

Priorities

What has been delivered so far in 2024-25

Introduce a more systematic approach to follow up work and the tracking of implementation of audit recommendations by public bodies.

Status: On track

Commentary:

During the reporting period, we have started to embed new performance audit processes to systematically and consistently capture management responses from audited bodies to our recommendations. This has been supported by the development of a recommendations database to better track implementation (where accepted by audited bodies) and help prioritise any more targeted follow-up audit work.

Our work on this priority builds on relevant staff training provided in 2023-24, which will be further embedded through changes to our reporting templates to be introduced by the start of 2025-26.

Planning for our local and national work programmes in 2025-26 over the remainder of this financial year will include a clear allowance for follow up work.

Greater focus on value for money through stronger financial and outcomes analysis in our performance audit work.

Status: Mostly on track but some further improvement needed

Commentary:

We are starting to see this greater focus reflected across live projects and recently published work, including on [Affordable Housing](#), [Active Travel](#), a [Community Pharmacy Data Matching Pilot](#) and our recent report on National Fraud Initiative outcomes.

During the last six months, we have also:

- Embedded stronger consideration of financial and outcomes analysis earlier in the project planning phase for new work.
- Explored available options and the costs of training to support associated skills development, including working with CIPFA to support their development of a potential new performance audit qualification.



A targeted impactful approach to communications and influencing

Priorities

Use our refreshed website to extend our reach and improve access to our published, live and upcoming audit work.

What has been delivered so far in 2024-25

Status: Mostly on track but some further improvement needed

Commentary:

During the reporting period, we have continued the development of our refreshed website, building on the preparatory work completed in 2023-24.

We are now in the final stages of preparing a live online version of our forward programme of national studies, which provides summary information on individual studies and an up-to-date position on progress made.

This year we are also piloting the use of interactive summaries of our main reports, starting with key corporate publications such as our Annual Plan, with a view to using this approach more widely in the longer term. Progress in the first six months of the year has seen the development of templates and the platform to enable us to publish interactive documents.

In addition, we are currently working with contractors to review our arrangements for preparing and designing audit reports, including the associated training arrangements for staff. This work has included piloting the use of shorter audit reports for local government and monitoring the impact of the changes by gathering feedback from staff and councillors. The overall aim of this project is to make our reports shorter and easier to read, so that they better meet both our audience's needs and new quality requirements.

Priorities**What has been delivered so far in 2024-25**

Increase access to and engagement with good practice and insights during and on completion of our audit work.

Status: Mostly on track but some further improvement needed

Commentary:

Over the reporting period there has been strong media coverage of the insights contained within several of our published reports. In September this included widespread coverage from the BBC, ITV, local media and specialist publications of our reports on [Affordable Housing](#), [Governance of Fire and Rescue Authorities](#), and [Active Travel](#).

We also held a good practice event in May entitled [Audit Committees: effective practices](#) and a positive impact which provided an opportunity to share audit learning and experiences among representatives from across the public sector in Wales.

To increase visibility of key learning from our audit work, we are currently in the process of redeveloping the area of our website where we promote examples of good practice. This will include sharing insights in a way and format that is engaging for stakeholders. This will include a series of blogs and videos sharing key learning.



A culture and operating model that enables us to thrive

Priorities

Develop and implement a three-year quality monitoring programme to support our whole organisation approach to managing the risk to audit quality.

What has been delivered so far in 2024-25

Status: Improvement needed

Commentary:

In June 2024, the ICAEW's Quality Assurance Department, confirmed that they consider our proposed approach for developing a quality monitoring programme to be appropriate given our size and scale. Following receipt of the feedback, we have subsequently started to plan a focused programme of work for the next three years.

The overall timescale does give us some flexibility in terms of the phasing of our work and additional resources are being sought to support this work.

In accordance with auditing standards, we are required to establish a monitoring and remediation process to monitor and manage risks across our system of quality management. During the reporting period, we have worked across the organisation to review our risk management arrangements and the content of risk registers to inform our quality monitoring focus.

Priorities

What has been delivered so far in 2024-25

Deliver a whole organisation workforce plan designed to better meet current, and plan for future, staffing needs.

Status: On track

Commentary:

We launched a whole organisation Workforce Strategy in September 2024, which sets out a longer-term vision for securing and developing the necessary Audit Wales people resources, including skills and capabilities.

In the first year of the Strategy, we are focusing on four priority areas:

- Talent management and succession planning
- Skills development
- Addressing the audit backlog – recruitment, retention and capacity
- Organisational design, roles and resourcing

We have established a range of performance measures to determine whether the business planning actions which flow from the Strategy are delivering as intended, and these measures will be monitored regularly by our Executive Leadership Team, and the Board's Remuneration and HR Committee.

Further invest in our trainee and apprenticeship schemes to strengthen the field of candidates and provide better coverage of performance audit work.

Status: Mostly on track but some further improvement needed

Commentary:

During the reporting period we ran an extensive recruitment campaign for the latest round of graduate trainee and apprentice intake and received an excellent level of interest. We successfully appointed the desired number of candidates. However, we acknowledge that we still have work to do to make sure that we are reaching out to candidates from more disadvantaged communities.

We also made good progress in the first half of 2024-25 in developing the performance audit skills element of training for trainees and apprentices, which is supplemented by practical work experience. This development work will continue over the remainder of 2024-25.

We will shortly be commencing preparations for our 2025 trainee and apprentice intake, with a particular focus on how we need to shape our outreach and recruitment processes to fully meet the needs of our workforce strategy in performance audit.

Priorities**What has been delivered so far in 2024-25**

Encourage greater in-person working within our hybrid working model, to ensure a productive, collaborative and engaging environment for the delivery of high-quality work.

Status: On track

Commentary:

Our focus has been on securing high quality but cost-effective accommodation with input from staff to best meet their needs, to help encourage and support greater in-person working to realise the associated business and wellbeing benefits. We are now planning the final part of our estates strategy following successful office moves in Cardiff and North Wales, and will move to a new office in West Wales in April 2025.

Our corporate teams continue to work together regularly in our main Cardiff office, taking account of demand for their services as well as the needs of the respective teams. Within Audit Services, work has continued to secure an appropriate mix of in-person and online working, with accounts audit staff typically working from the office 2-3 days a week whilst performance audit staff have regular scheduled in-person team meetings alongside in-person work for specific project and corporate activities.

During the reporting period we launched a fortnightly compressed hours pilot to offer more flexibility within our hybrid working model and support a healthy work-life balance.

Maintaining the conditions for great hybrid working has continued to be a focus for our IT and Estate teams ensuring that equipment and systems are available, and we continue to respond to feedback from staff.

Key performance indicators

21 The position as of 30 September 2024 in terms of achieving the 18 key performance indicator targets set out in our [Annual Plan for 2024-25](#) is summarised below. In the exhibit, some numbers are rounded to make them easier to read and compare.



A strategic, dynamic, and high-quality audit programme

No	Indicator	Description	2024-25 Target	2023-24 Performance	Performance to 30 Sep 2024
1	Statutory deadlines	Proportion of audit products delivered by the statutory or agreed deadline.	100%	● 85%	● 100%
2	On time	Proportion of other key audit products delivered in accordance with the planned timetable for ensuring timely and impactful reporting.	90%	● 76%	● 78%
3	Quality	Number of reviewed audits that are delivered in accordance with Financial Reporting Council (FRC) quality standards.	All audits sampled in the highest two audit quality categories	● 7 out of 7	Data not yet available

No	Indicator	Description	2024-25 Target	2023-24 Performance	Performance to 30 Sep 2024
4	Credibility	Proportion of stakeholders that consider us to be an independent and authoritative communicator on the governance and stewardship of public money and assets.	At least 90%	● 92%	Data not yet available
5	Providing insight	Proportion of stakeholders who said that through our work, they gained useful insight that they would not have acquired otherwise.	At least 80%	● 64%	Data not yet available
6	Driving improvement	Proportion of stakeholders who believe our work has led to improvements in the provision of public services.	At least 80%	● 76%	Data not yet available
7	Savings identified	Value of potential savings, productivity gains and other financial benefits identified through our work.	At least £30 million during 2023-2026	● £700,000	● £7,800,000



A targeted and impactful approach to communications and influencing

No	Indicator	Description	2024-25 Target	2023-24 Performance	Performance to 30 Sep 2024
8	Good practice outputs	Proportion of stakeholders who rate our good practice outputs as useful or very useful.	At least 90%	● 100%	● 83%
9	Website visits	Number of visits to our website where at least one action is performed, e.g., download a report, click on a video.	48,000 each year	● 59,100	● 39,500
10	Social media	Number of social media engagements, i.e., interactions with our posts such as a like, a comment, or a retweet/share.	4,000 each year	● 4,000	● 1,800
11	Sharing audit learning	Number of instances where we present audit learning to key policy working groups or at relevant externally hosted events.	50 each year	● 45	● 25



A culture and operating model that enables us to thrive

No	Indicator	Description	2024-25 Target	2023-24 Performance	Performance to 30 Sep 2024
12	Employee engagement	Percent positive annual staff survey engagement index score.	Median Civil Service benchmark score	● 64%	Date not yet available
13	Turnover	Proportion of employees who voluntarily leave Audit Wales per annum.	Between 5% and 10%	● 12.3%	● 9.1%
14	Sickness absence	Proportion of total time lost due to sickness absence.	Less than 4%	New KPI for 2024-25	● 3.7%
15	Financial balance	Net underspend variance on income and expenditure from that set out in our Estimate for the current year.	Less than 2% of gross expenditure budget	● 1.1%	● 1.8%
16	Cost savings	Value of in-year cost savings delivered across the business.	£400,000 as set out in our 2024-25 Estimate	● Achieved £500,000 non-pay savings target	● £401,000

No	Indicator	Description	2024-25 Target	2023-24 Performance	Performance to 30 Sep 2024
17	Greenhouse gas emissions	Total CO ₂ equivalent emissions.	40% reduction on 2019-20 baseline (581 tonnes) ¹	● 280 tonnes	● 170 tonnes
18	Trainee success rate	Proportion of trainees achieving first-time passes in their Professional and Advanced level examinations with the Institute of Chartered Accountants in England and Wales.	At least 90%	● 82%	● 76%

¹ Not including supply chain emission estimates which are reported on separately in our annual Sustainability Report.



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We welcome correspondence and
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Rydym yn croesawu gohebiaeth a
galwadau ffôn yn Gymraeg a Saesneg.

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Agenda Item 7

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