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Dear Andrew

Examination of the setting of well-being objectives

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yours sincerely



ADRIAN CROMPTON
Auditor General for Wales

cc.

Rt Hon Mark Drakeford MS – First Minister of Wales

Sophie Howe – Future Generations Commissioner

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

Jenny Rathbone MS – Chair, Equality and Social Justice Committee

Annex: Examination of the setting of well-being objectives

How we carried out the examination

What we reviewed and why

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

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

Audit approach and methods

5 Our examination focused on the following question:

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

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

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

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

Findings

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

We have set out our more detailed findings below.

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

What we looked for:

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

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

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

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

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

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

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

What we looked for:

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

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

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

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

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

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

Recommendations

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

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

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

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

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

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