

Dr Andrew Goodall
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Mark Isherwood MS

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

6 April 2023

Dear Chair

Public Accounts and Administration Committee, 2 March 2023

I am writing in response to your letter of 21 March 2023 to provide responses to questions not reached during the meeting and update on certain follow up actions. Please find below the information requested.

Welsh Government Performance Framework

In the 2021-22 Accounts, it is suggested that the Welsh Government Performance Framework and some related measures are still in development. What are the main aspects the Welsh Government has left to complete and what is it likely to gain from doing this further work?

The Framework and the indicators within it are complete, although they are subject to ongoing revision to ensure alignment with current priorities and/or as other data sources become available as part of ongoing digitisation of organisational processes and other advancements.

One theme, 'Policy Making', has not yet been reported on within the accounts as the measures for this theme are still in development. KAS are currently working with the head of the policy profession to scope out how best to measure the policy making function which encapsulates a wide range of activities such as policy development, policy monitoring, use of evidence and delivery of policy. This forms part of strategic work and strategy to improve policy making and policy capability within Welsh Government, and we expect them to be developed for the next round of reporting in 2023-24.



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Our work to improve policy making is also a key action in the Welsh Government's Well-being of Future Generations Continuous Learning and Improvement Plan 2023-2025, recognising the importance of deepening the understanding and application of the Well-being of Future Generations Act in our policy function. The plan includes actions we will take to introduce development pathways for policy makers to mature and enhance their skills, knowledge and behaviours in applying the sustainable development principle, and update the support for policy makers including focused exercises on the ways of working.

What is the current internal reporting process for the Performance Framework and how might this change if, as recommended by the Board, reporting is to be reviewed on an ongoing basis to ensure continuing alignment with Welsh Government strategy?

The Framework is managed and reported on by analysts in Knowledge and Analytical Services, who provide an independent assessment of performance.

The Performance Framework has two levels of governance:

Business owners have been established across the organisation for each of the 18 Framework themes, mainly at Director or Deputy Director level. Business owners have strategic oversight of their areas and are responsible for putting forward performance information for scrutiny, as part of their role in monitoring their area's KPIs more widely, and for driving improvements in their area.

The Board, ExCo and the Finance and Corporate Services Sub-committee all play a key role in scrutinising the performance reports produced on the Framework and put forward areas for improvement, to be actioned by the relevant business owners. This is typically done at two separate sessions, on the functions and attributes themes in the Framework, to allow for more time for consideration.

It is important for the Framework to be reactive to emerging organisational priorities. There is ongoing work to align the framework with WG2025 and the four new values for the Welsh Government, which will be reported against for the 2022-23 cycle. We are not anticipating that this will impact on the reporting arrangements or governance as set out above.

We are also attempting to drive a more holistic and integrated approach across our assurance mechanisms, to support the Permanent Secretary in his role as Principal



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Accounting Officer. We are currently working towards greater integration with the ICQ, where we plan to provide data from the Performance Framework to facilitate scrutiny of Directors' assurance ratings and feed the areas for action highlighted by the Board and ExCo into the start of the process.

We will continue to review the Framework to ensure that other new strategies are taken into account in reporting and any new fora such as strategy groups are considered in reporting arrangements, in order to ensure the reporting process continues to consider business needs and any changes in governance structures.

Losses, Write-Offs and Special Payments

How much has the Welsh Government written-off and reported in its 2021-22 Accounts, by scheme, following the Roads Review and how much will it write-off in 2022-23. How does the Welsh Government assess the retained value of data and other preparatory work for these schemes?

The only write-off in relation to road schemes included in the 2021-22 Accounts is the £9m write off relating to the costs for Junctions 14 to 16A of the A55. No other road scheme write-offs were incurred in 2021-22.

A full impairment review will be carried out in 2022-23 to ascertain the retained value of data and other preparatory work for these schemes. If the impairment review concluded that there was no retained value in the studies, plans and there were no property/land then the write off could be as much as circa £12m. (This excludes the write off already progressed in respect of the A55 Junction 15 & 16 for £9m).

Many schemes were included in the NTDP to progress in a different form, alternative options will be considered in line with our new road investment policy and tests through the Welsh Transport Appraisal process (WELTAG). To assess any retained value:

- Tests are against the requirements of IAS16 that future economic benefit can be derived from the work.
- If schemes continue but in a slightly different form, work to date is likely to have continued value, work undertaken is reviewed to see if it will continue to be useful for the delivery of any amended delivery proposals.
- For schemes which do not fall into this category, an assessment will be made to establish whether the work undertaken has an 'indefinite' shelf life i.e. may be useful to the alternative or amended scheme proposal - if so value is retained.



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- For work that has a 'limited shelf life' or is not directly relevant to alternative or amended scheme proposals, that is when a write off may arise.
- For physical assets held, if they have a market value, their valuation may be adjusted to the market value if they are to be disposed of.

In its 2021-22 Accounts, the Welsh Government identifies two ex-gratia payments to companies, each with a value over £300,000, which it says are financial support to mitigate hardship when demand for Personal Protective Equipment for the public sector related to COVID-19 did not materialise. How did the Welsh Government create an expectation, how did it deem it was liable to make such payments and how did it determine the amounts to be paid?

It has been a long standing Welsh Government objective to use public procurement to grow strong, local supply chains.

This policy imperative is further emphasised through the Co-operation Agreement between Welsh Government and Plaid Cymru and the commitment to grow the amount of procurement won by Welsh suppliers and is integral to our Foundational Economy ambition to use public services to grow the number of medium sized businesses rooted in local communities.

At the onset of the COVID pandemic, Welsh Government and NHS Shared Services Partnership (NWSSP) publicly urged Welsh business to support efforts to produce made in Wales PPE.

At the time, high levels of global demand and difficulties in accessing traditional overseas supply chains led to widespread shortages of critical PPE. The unique and extraordinary situation created by the pandemic meant there was a need to urgently identify alternative ways of accessing and delivering PPE.

A number of Welsh business responded to this public request and although no contracts or formal agreements were in place with the Welsh Government a number of business responded by adjusting their business models to produce items of PPE urgently needed at the time.

It was understood that local businesses would need time to initiate production and to acquire the necessary accreditation so that NWSSP could purchase their product. Through the height of the pandemic's first wave, the Critical Equipment Requirement Engineering Team (CERET), comprising Welsh Government, NWSSP and business



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representation, met daily to maintain oversight of NWSSP PPE requirements and the developing local production capability.

Despite these efforts, however, the wider stabilisation of world-wide PPE market conditions resulted in high volume Welsh public sector contracts being awarded to lower-priced, overseas producers, instead of to those Welsh companies who had been supported and encouraged to produce and supply local product.

In cases like these the Welsh Government will consider on a case by case basis if an organisation has been disproportionately impacted if it had acted on representations from the Welsh Government and Welsh Ministers.

Any consideration for financial support must be made in accordance with the framework of Managing Welsh Public Money and the evidence and representations made by the business impacted.

In the case of these two payments, our view is that by exception a case had been made for Welsh Government support. The amounts paid to both businesses were determined from analysis of financial information provided by the companies to Welsh Government.

How many other companies received ex-gratia payments from the Welsh Government for this reason and what is the aggregate value of them by financial year?

There were no further ex gratia payments made from the Economy budgets for these particular purposes within the 2021-22 financial year.

Any ex-gratia payments form part of a disclosure of payments defined by Managing Welsh Public Money as 'Special Payments'. Any payments over £300,000 are disclosed in the Governance Statement under Part 2 of the Welsh Government Consolidated Accounts

No further ex-gratia payments required separate disclosure.

Have the Welsh Government/Welsh Ministers informed the Senedd about the decision to write off £9m of expenditure relating to the A55 Junctions 14 to 16A and, if so, when. Could you provide the Committee with an explanation about how the Welsh Government defines "serious losses", as per paragraph A4.9.6 of Managing Welsh Public Money?



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In accordance with Managing Welsh Public Money, the loss was reported as part of the 2021/22 annual accounts, no written statement was provided to Senedd because it was not considered as 'serious' as it was part of a legitimate decision taken by Ministers to stop a scheme (i.e. it was not through fraud or something similar).

The level of expenditure was also already reported in the public domain as part of the announcement to stop the scheme, therefore, transparency was demonstrated.

There is no supplementary definition of serious loss applied to the Managing Welsh Public Money requirements. The seriousness of a loss may not necessarily relate to the monetary value involved, losses may be serious below the threshold for individual disclosure within the statutory accounts. In undertaking the investigation of a case of loss, officials are expected to consider when making a judgement on whether the loss requires notification to the Senedd the nature, value and impact of the loss, and whether it will require individual disclosure within the accounts, as well as whether the information is being placed in the public domain through other means – such as in the case noted above by way of a Ministerial announcement.

During evidence:

You agreed to outline how the Welsh Government balances clawing back monies from companies, with the related impact on the companies themselves and sub-contractors. The response should explain where the treatment or approach differs between Welsh Government grants and loans for business finance?

The Welsh Government typically expects payment, in full, within 30 calendar days of the invoice raised date. However, the Welsh Government is supportive to all its debtors who are experiencing difficulties in paying their debts in full or on time.

In negotiating any changes to the standard terms for paying invoices, the Welsh Government will take into consideration the size of the organisation, ability to pay and other related factors. Should a business request a payment plan this would also be considered, usually following an up to date review of the finances.

Welsh Government policy states that it is essential all means of resolving disputes or working through a debtor's financial difficulties are exhausted before any legal or court action is taken. The Welsh Government policy applies to loans and grants although the sum to be recovered can vary depending upon the Terms and Conditions of the grant, funding or loan.



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Regarding claims for clinical negligence and personal injury, Welsh Government officials told the Committee the increases or decreases in the related provisions score against the budget for Annually Managed Expenditure. The Committee would welcome further information about how the budget for these provisions operates in practice, including in-year changes, what information the Welsh Government shares with HM Treasury and the HM Treasury approval process. The Committee would also welcome information about the budget and cost implications when sums are paid out against the provisions?

The budget for the provision against claims for clinical negligence and personal injury each year scores to the Annually Managed Expenditure (AME) budget. Forecasts of annual and medium-term requirements for AME are regularly provided to the Office for Budgetary Responsibility and HM Treasury. There is an opportunity prior to the Supplementary Estimates process to agree final AME forecasts for each financial year with HMT.

For the Welsh Risk Pool we provide details of the estimated liabilities for probable claims in progress, and the estimated liabilities for settled claims where a Periodical Payment Order (PPO) has been agreed. Forecasts will also be updated to take into account inflation and the discounting of liabilities to net present value. Inflation adjustments are mainly linked to RPI or the Annual Survey of Hours and Earnings, with discounting using rates set by HMT annually.

Sums paid out against these provisions when claims are settled are charged to Revenue budgets. The costs for utilisation of the Risk Pool have ranged from £100 million to £120 million over the last three years, and is also affected by inflation, as the amounts due for payment on index-linked settlements will vary year to year with inflation changes. The core allocation to the pool is set at £109m for the 2023/24 budget onwards. For the last two years any claims in excess of the core allocation to the Pool have been met by NHS Wales bodies. This is based on a risk sharing agreement, which is designed to incentivise bodies based on claim patterns.

Related Issue:

I noted the Welsh Government's announcement on 13 March 2023 about the Amgueddfa Cymru – National Museum Wales, which mentions the tailored review. The Committee has sought updates about this process and the timing of the report. In October 2022, you provided an update, stating an interim report would be available by Christmas and the review would conclude no later than 1 March 2023.



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In December, and in response to the Committee’s request, you said the Welsh Government would not share the interim report with the Committee, saying it was never the intention to share the report wider than the partnership team within the Welsh Government and the Museum itself”. This was despite the Committee and the Auditor General for Wales concerns about the governance arrangements at the Museum.

We note, in the announcement, the Deputy Minister for Arts, Sport and Chief Whip says the “final report will be available later this year”. The Committee would welcome an update given the apparent delay in the timetable for the outcome of the tailored review.

The tailored review panel completed and issued its draft report on 1 March 2023, which was sent to Amgueddfa Cymru and to the Welsh Government partnership team.

The review panel met members of the partnership team on 21 March 2023 and met Trustees and officials of Amgueddfa on 22 March 2023. Both meetings were to provide the partnership team and Amgueddfa with the opportunity to question the panel on the report and to offer their perspectives on it ahead of submitting written comments

The review panel will consider the views of the partnership team and the Amgueddfa. It may revise the draft report in response to any comments which are received.

The panel will participate in a “challenge process” which is independent of the partnership team and Amgueddfa. This process ensures that the review panel has not exceeded its terms of reference for the review and to ensure that the final report is fit for purpose.

The challenge meeting is expected to take place in mid-May 2023. The make-up of the challenge panel is yet to be decided, but it will be chaired by Tim Moss, the Welsh Government’s Chief Operating Officer. The challenge panel is also likely to have a Welsh Government Board Non-Executive Director in its membership, as well as other senior Welsh Government officials.

The full challenge process is likely to be completed by the end of May 2023. At the conclusion of the challenge process the review panel will consider if its report requires further revision prior to official publication.



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Once published it will be for the partnership team in Culture Division, Public Bodies Unit and Amgueddfa to consider the final report and subject to resources, to deliver an action plan to deal with the report's recommendations.

Follow up actions:

In the course of the session the Committee asked to be advised when the Welsh Government Pay Policy Statement 2022 was published. This is now live on the Welsh Government internet [Welsh Government pay policy statements | GOV.WALES](#).

The Committee also asked that the Register of Interests for Senior Officials relating to the 2021-22 accounts be published as soon as possible. This is now live on the Welsh Government internet [Senior officials: register of interests | GOV.WALES](#)

I hope this information sufficiently addresses the Committee's questions, please do not hesitate to let me know if there is anything additional you might need.

Yours,
Andrew Goodall

Dr Andrew Goodall

Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



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