

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

1 April 2025

Dear Mr Isherwood

**Public Accounts and Public Administration Committee – Welsh Government
Annual Report and Accounts 2023-24**

Following the Committee scrutiny of the Welsh Government Annual Report and Accounts 2022-23 on the 19 February 2025 I am pleased to provide responses to the further information you have requested as set out in Annex A and B to this letter.

I trust that this additional information helps the committee in any final reflections and that Committee found the evidence session we attended in respect of the 2023-24 accounts helpful.

Yours sincerely

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



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Annex A

Evidence session follow up - Scrutiny of Accounts: Welsh Government 2023-24

1. In the accounts, you note that the Welsh Government is in the process of developing an exit strategy that examines the cost versus benefit of whether to continue with post-competition monitoring of its COVID-19 business grants. In the session, you agreed to provide a note elaborating on your oral response. We look forward to receiving this.

Response:

The exit strategy is now complete. ERF Post Completion Monitoring will conclude in the first quarter 2025-26. A summary of the strategy is set out below.

The Economic Resilience fund delivered by Welsh Government formed part of the overall £2.6bn provided to business through the pandemic. Over 26,000 grants were given out to businesses during this time. It was acknowledged that extensive post completion monitoring (PCM) would be required. A PCM team was established, and all grant recipients have received a request for information to ensure that the grant was required under the terms and conditions of the grant award letter.

Grants to small businesses and those in the SME category which were awarded £30,000 or less were surveyed. All other grant recipients received a full PCM request which required evidence to be supplied that the expenditure complied with the grant terms and conditions. The PCM team issued surveys in line with the requirements set out and accepted by the ERF Oversight Group for SME and <£30,000 awards. All large (>250 employee and largest individual grants) companies have also been completed.

In agreement with the ERF Oversight Group and the Additional Accounting Officer (AAO), due to diminishing returns and the passage of time (five years post ERF phase 1), the team is due to cease undertaking any further work on PCM from the end of March 2025.

Due to the number of times and effort which has already been undertaken to contact the businesses, the following action is proposed.

- Every business has been contacted at least 3 times for outstanding information. No further work will be undertaken to chase down the businesses which have not replied or have stopped interacting with Welsh Government PCM team.
- All cases have received our 'breach to conditions' formal letter that states that following all attempts to obtain the required monitoring information, an invoice



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CF10 3NQ

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will be issued if no response is received and the outstanding information provided.

- All outstanding cases will now be issued with a formal invoice for recovery of the grant as they are in breach of the terms and conditions.
- The PCM team will submit all business information to the Grants Centre of Excellence Due Diligence Hub so that this can be checked by other grant managers in line with Welsh Government policy.
- Invoices will be raised by the PCM team who will continue to liaise with the central debt team. They will be on the Welsh Government finance system known as SAP.
- No further Dunning process will be undertaken by the central debt team given that sufficient time has elapsed, and that all businesses have already been given many opportunities to respond aligned to Dunning.
- The ERF PCM team will complete the formally undertake close-down process of the PCM by the end of Quarter 1 2025-26.

2. As per the above point, you also agreed to address the a point made by the Chair concerning the administration of COVID business grants:

If you could also provide a note addressing whether you've carried out any work in that context regarding the business grants—the COVID business grants— regarding the differential way the discretionary local authority powers were exercised. I know, just in my area, some were very permissive, but not fraudulent; others were extremely restrictive and even denied that they had discretionary powers, and that would have been reflected in the numbers of grants, presumably, awarded. So, I don't know if you've done any work on that, but if you have, I'd be grateful if you could address that subsequently.

Response:

With thanks to the Chair who was able to provide several cases where applicants to local authority delivered schemes felt they had unfair treatment due to the application of the guidance and differing application of discretion, each of these cases have been reviewed and considered.

All examples related to the application of support to self-catering and bread and breakfast accommodation in the tourism sectors. The principal issue being the number of days let and or occupied to qualify for the support on offer where sector restrictions were applied. As part of guidance, Local Authority 151 officers were provided



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discretionary powers to ensure mitigation of any unintended consequences which would unfairly punish the applicant. Having examined the cases provided and discussed with relevant Local Authorities, we have not found evidence of unfair assessment and or award. The cases in question were well below the eligibility requirement for funding to the point where any discretion would not be appropriate.

While this is the case for the examples reviewed it is accepted that the points made by the Chair on application of “discretion” should always be underpinned by strong guidance and checks to ensure it is applied consistently across delivery, in this case the 22 local authorities. During the two years of the pandemic the tourism and visitor economy came under significant strain so ensuring consistent application and fairness needs to be a key consideration.



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Annex B

Additional Questions - Scrutiny of Accounts: Welsh Government 2023-24

Accounts preparation

- In the Accounts, the Welsh Government notes GCRE Limited has not yet been classified by ONS and private financial investment is actively sought for the long-term future of the entity. What's the current status of GCRE Limited; has it attracted private investment?

Response:

GCRE Limited were classified by ONS in September 2024 to the central government subsector with effect from 24 August 2021.

The status of the project remains unchanged. Welsh Government continues to support the company in its efforts to secure private investment whilst planning for alternative funding solutions, should private investment fail to materialise fully or in part.

Should there be any change to the structure and governance of the company as part of securing private investment, this may necessitate classification review by ONS in future.

Welsh Government 2025

- How are you improving the diversity of your workforce (for which you've set "ambitious plans and targets") and ensuring a pipeline of talent across the organisation since you've paused the new apprentice and fast streamer recruitment for 2024-25?

Response:

Our ambition to address historic under-representation within our workforce has been impacted by current workforce budget challenges, limiting the options we've been able to take in terms of recruitment schemes and sustained outreach activity.

Nonetheless, we remain committed to attracting a diverse field of candidates through enhancing the profile of the Welsh Government Civil Service as an inclusive employer and removing barriers from our external recruitment and internal progression processes – levelling the playing field and giving everyone the best opportunity to succeed.



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Our overall performance against the recruitment targets for 2024 is currently being reviewed but our Team Support external recruitment campaign offers some encouragement. As a result of tailored outreach, a streamlined application process and the support of our recruitment adjustment service, we saw a significant increase in successful outcomes for disabled candidates and Black, Asian and Minority Ethnic candidates, exceeding the 20% goal. The campaign was an exercise in co-production, with staff diversity networks providing the guidance and scrutiny needed to ensure a fair and equitable approach for all candidates.

Welsh Government 2025

- We note comments at the Board in September 2023 that many of the savings identified in 2023-24 were one-off and financial challenges lay ahead. Can you set out the scale of the financial challenge you faced in 2023-24 and the implications for 2024-25?

Response:

The scale of the financial challenge faced in 2023-24 and the actions taken to address that challenge were set out in the 'Update on 2023-24 financial position' issued in October 2024 [Update on 2023-24 financial position: summary of main changes | GOV.WALES](#) and the subsequent 2nd Supplementary Budget 2023-24 [2nd Supplementary Budget 2023 to 2024 | GOV.WALES](#).

The work was underpinned by a set of clear principles to ensure that core services were protected as far as possible and to deliver the greatest benefit to households hardest hit by the current cost of living crisis. Consideration was also given to the importance of protecting jobs.

Ministers considered where spending can be delayed or deferred, re-prioritised or where cuts could be made to free up funding to support core public services and continue to provide help to those who need it the most. To reduce the impact on services, decisions were made to reduce spending by reprioritising or deferring activity wherever possible rather than cutting or ending programmes. Demand-led budgets were reviewed across government and where spending is below anticipated levels, savings were released.

Actions taken included:

- Maximisation of the in-year and Wales reserves whilst maintaining a prudent level of contingency;
- Planning based on using consequentials expected from the UK Government;



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- Requesting a switch from capital to revenue from the UK Government;
- Making a combination of revenue and capital savings in departmental budgets (MEGs).

Given the scale of the challenge, many of the reductions in spending identified in the 2023-24 in-year exercise were non-recurrent (such as deferring spending, using income, one off savings opportunities). As non-recurrent actions, there remained significant spending reduction challenges to be met in the 2024-25 Budget exercise.

Full details of 2024-25 financial plans, including changes from 2023-24 and the reasons for making changes to previously published plans, were set out in the Draft and Final Budget for 2024-25 [Welsh Government budgets | GOV.WALES](#).

Workforce issues

- Sickness levels were lower in 2023-24 than the previous year, which you say is largely due to a decline in COVID-19. However, you note a “minor increase” in absence related to mental health issues and identify it as one of the key areas for focus in the coming year. How prevalent is staff absence due to mental health issues and how are you addressing it?

Response:

The current data on absence shows the level of absences due to mental health account for approximately 48% of all long-term sick absences.

The Health Safety and Wellbeing Board holds the organisation to account on the support and interventions it provides staff to assist them to overcome mental health decline. The Board recently held a deep dive into mental health over the course of two board meetings. Actions flowing from the deep dive include promoting the use of the wellbeing hour, exploring the need for mental health first aid training for all line managers and more regular analysis of trends and patterns to enable the development of further targeted interventions and support in the right places at the right time.

We continue to provide a range support packages and interventions to promote and help wellbeing and positive mental health which include, Mental Health Allies, Stress Risk Assessments, a Mental Health Line Manager Toolkit and Workplace Passports as well as an Employee Assistance Programme and Occupational Health service.



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In addition, the HR Case Advice team review long term absences monthly to ensure individuals are receiving appropriate support and that any adjustments needed to facilitate a return to work are implemented.

Welsh Government spending

- In its report, 'Maximising EU funding' published in June 2023, Audit Wales noted that WEFO and the Welsh Government had identified staff capacity as a risk. How are you balancing maintaining resources in WEFO to support programme closure and redeploying staff to other Welsh Government priorities?

Response:

WEFO has paid all final claims received from beneficiaries and submitted its own final claims to the European Commission on 13 February 2025. WEFO has maximised the drawdown of EU funding for the 2014 - 2020 Structural Funds Programmes across 5 Programmes, WEFO has facilitated investment of €4.5billion including €2.5billion EU funding and €2billion of Public and Private Investment.

The majority of WEFO staff have been redeployed to new roles throughout the Welsh Government. However, WEFO has retained enough staff resources to service its regulatory obligations and manage the programme closure including the routine audits of the final claims.

Losses and Special Payments

- How did the Welsh Government incur a loss of £2.3m relating to the Welsh Government's Optimised RetroFit Programme (ORP) and could it have been avoided?

Response:

One of the key requirements of this early stage of the ORP was the installation and operation of IESs (Intelligent Energy Systems) to transmit data from retrofitted homes to help the Welsh Government build evidence and learn lessons from the scheme to inform future residential decarbonisation policy and programmes. During 2023-24 it was identified that a number of IES previously obtained as part of the programme had become defunct, due to technological and platform changes, and needed to be upgraded to ensure continuity of IES data provided to the programme. Not all of the units were able to be upgraded and, for 2023-24, this resulted in the loss (fruitless payment) relating to their original purchase.



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The way in which the original stakeholder mechanism was set up meant limited, direct engagement with the Welsh Government. The IES installer led the programme management and delivery, with grant funding passported through a Registered Social Landlord. This appears to have created a lack of clarity in reporting and escalation. This meant that Welsh Government was unaware of the platform change issue, which led to the units becoming defunct, until after it had materialised.

A detailed and thorough lessons learnt process has been completed, in which all parties have considered and reflected upon their role and responsibilities. The Welsh Government is now in a direct contract with the IES provider, to ensure that full transparency and appropriate governance is in place while the programme of works is completed. It should also be noted that the initial IES devices represented one of the first tranches of monitoring units of this kind, so were exposed to the inherent risks associated with new technologies.

Losses and Special Payments

- What can you tell us about the fraud investigation of the three grants paid to the same individuals for the refurbishment of hotel and leisure facilities at two separate premises, the recovery of which you wrote off in 2023-24?

Response

There had been allegations arising from press reports, and an individual's blog, concerning possible fraud associated with these cases. There was no report however of any fraud against Welsh Government. It appeared to Welsh Government that the hotels had complied with the grant award apart from failing to provide an independent audit report despite repeated requests.

The matter was passed to the Welsh Government Counter Fraud Branch. The external allegations were that the grant applicants may have committed mortgage fraud. However, the alleged fraud was against a Bank who did not pursue the matter. As this was not an alleged fraud against the Welsh Government there was no further action that Welsh Government could take.

Losses and Special Payments

- Why did the Welsh Government make a special payment of £13.1m (excluding VAT) to reach contractual settlement agreements for Strategic Road Network (SRN) Projects, which arose due to inflationary pressures; what would have been the consequences of not settling?



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Response

The signed contracts for three road schemes were based on Welsh Government terms and conditions. These terms and conditions have been developed over a number of years. They include provisions that allocate risk around general inflation, with most of this risk being borne by the contractor.

Clauses dealing with other specific issues – which may also impact inflation/ prices - e.g. changes in legislation, changes in rules around site operations, force majeure, conflict etc. are more nuanced, with some of these risks being sat with the contractor, others with the Welsh Government. Events such as the conflict in Ukraine has seen contractors become laser focused on the risks they hold – they have caused contractors to push back on certain risk positions that have been longstanding.

This push back is not unique to Welsh Government, with National Highways, HS2, numerous local authorities and other bodies across the UK having to grapple with the reality of contractors now no longer being willing to take on particular risks.

Such events have also resulted in contractors looking at every possible opportunity to recover their financial position on projects. The Welsh Government schemes in this case are an example of this. Numerous contractual claims were advanced by the contractor for additional monies on the three schemes. At the same time, they also advanced a claim under the WG's WPPN 09/21.

In the interests of value for money, officials looked to settle all claims the contractor had in relation to WPPN 09/21, inflation and other matters – on all three schemes. Not settling all claims would have left Welsh Government open to the risk of unsettled claims being leveraged by the contractor at a later date, i.e. the contractor would come back seeking to recover their position, over and over. Amounts in relation to WPPN 09/21 were paid as a result of the WG's policy position and were discretionary. The contractor was deemed to be entitled to the remaining amounts under the terms of the respective contracts.

Whilst there's no guarantee the contractor would have commenced formal dispute proceedings for amounts the considered were due, it was deemed that there was a real chance of them doing so. In addition to the general risk of Welsh Government losing in such disputes, any dispute would have more than likely seen a delay to the programme. This in turn would have impacted the ability of Welsh Government to secure ERDF funding related to the schemes.



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VAT

- An HMRC VAT inspection identified the Welsh Government under recovered VAT on the A487 and A465 road schemes. Why was this not identified by officials and what assessment have you made whether the issue is more widespread?

Response:

The reviews of the A487 and A465 road schemes are not part of the HMRC VAT inspection but a standard part of the application of VAT on road construction schemes.

VAT recovery on road schemes is very complex and can change throughout the life of the project. For road schemes a VAT recovery percentage based on an apportionment calculation is applied at the outset of the scheme based on planned construction activity and costs, however the actual recovery rate percentage is confirmed later in the project delivery life cycle, and retrospectively agreed and applied with HMRC which can lead to repayments. Welsh Government worked with HMRC from 2019 on the A487 scheme, and from 2022 on the A465 scheme.

Governance and assurance

- What lessons have you learned from the Internal Audit of the Welsh Government's Programme and Project Management Framework, for which the Head of Internal Audit gave a "no assurance" opinion again in 2023-24; have you now fully implemented the priority projects and workstreams of this Programme?

Response:

The Audit report highlighted the need for PPM professionalism, governance, support and guidance to aid Welsh Government (WG) in delivering its agenda of change and the requirement for there to be more PPM practices, skills and presence being visible within and across WG.

In recognising the medium to long term nature of the work needed to improve Project Delivery, our approach to PPM has been to follow a best practice model in utilising the Project Delivery - Continuous Improvement Assessment Framework (CIAF) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_t_data/file/1028350/2021-10-22-version-2-Approved-Project-Delivery-Continuous-Improvement-Assessment-Framework_1.pdf to respond to the IAS recommendations and progress towards a level of Good in project delivery maturity.

To achieve Good, 141 recommendations need addressing and whilst work is progressing, it is recognised this will take time to implement and embed across Welsh



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Government. In delivering the 141 recommendations these will also address the recommendations raised by Internal Audit who are also a member of the Get-to-Green Programme board and been actively engaged in how we have looked to respond to the report.

Initial efforts focussed through the Get-to-Green Programme have been to develop the Project Delivery profession, improve assurance and compliance, and advise on implementing a Portfolio Management approach to deliver change across Welsh Government. Key progress over the last 12 months includes:

- Appointing a Chief Project Delivery Officer.
- Progressing towards a portfolio approach to identifying major change activities.
- Ensuring appropriate governance arrangements are in place – SRO appointment letters and Risk Potential Assessments are now mandatory.
- Rolling out the Government Online Skills Tool (GOST) to SROs and delivery teams – this includes a skills GAP analysis for all project roles and the ability to identify, deploy and recruit the right project resources.
- Agreed a WG wide suite of standard project delivery roles aligned to the Project Delivery Capability Framework (PDCF), which is now in use to recruit for project roles across WG.
- Currently updating all project documentation and guidance with a focus on governance, planning and risk management.
- Strengthening the assurance framework for projects – all projects must now have named SROs who have an approved GOST assessment.
- Regular reporting to the Finance and Corporate Service Sub-Committee of ExCo which re-emphasizes commitment to the Get-to-Green Programme. This reporting includes providing data on assurance, project delivery self-assessments and change activities to improve transparency and help drive the change agenda.

Progress achieved in the past 12 months has been a positive move forward, however the next step will be to have a fuller picture of the project professionals across WG, which will be the catalyst to embed the required level of cultural change.

The team has already recruited a number of additional PPM professionals into its structure and is in the process of looking to incorporate/ develop PPM expertise and capability at all grades across the team. In addition, addressing all 141 recommendations also involves understanding the organisation's capacity and capabilities, including the necessary time it would take to absorb the changes we want to make and adopt new processes/tools.



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MEWN POBL | **IN PEOPLE**

Parc Cathays • Cathays Park
Caerdydd • Cardiff
CF10 3NQ

Ffôn • Tel 0300 025 3289
PS.PermanentSecretary@gov.wales
Gwefan • Website: www.gov.wales

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Governance and assurance

- What essential areas of Managing Welsh Public Money have you identified for immediate update and when do you expect to publish them; are you on course to complete a comprehensive review of the entire document by the end of this calendar year, as planned?

Response:

As MWPM is a lengthy and complex document we are prioritising certain chapters for update, starting with those areas that have previously been identified by this Committee as requiring update.

Those areas include:

- Updating MWPM following the issue of our first (and only) Ministerial Direction in December 2019 when we identified a minor procedural improvement required in respect of reporting the existence of a Ministerial Direction to Finance and the relevant sub- committees.
- Updating MWPM to reflect the new Subsidy Control Regime (which superseded State Aid rules).
- Ensuring the procedures and processes for administering special payments aligns to the calling in procedures for our public bodies.
- In response to recommendation 18 which was raised in the PAPAC's report on the Scrutiny of the Accounts 2021-22 we will update MWPM to provide further clarity on what is considered a serious loss and how this is reported to the Senedd.

We will publish the updated chapters as they are completed. While we have set a provisional completion date of December 2025 for the entire project, this timeline may be adjusted based on other competing priorities.

Governance and assurance

- Have you implemented the new self-assessment approach for, and resumed the tailored review of, individual organisations; if so, can you share a rollout plan with the Committee?

Response:

The self-assessment approach hasn't been implemented yet. We have completed the initial pilot stage which involved adapting the UK model to the Welsh policy environment and testing it with a number of Welsh bodies. Officials will be shortly seeking the agreement of senior officials to publishing it for use on an extended pilot basis across all Welsh public bodies outside the NHS and local government sectors.



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This will mean that those bodies, with the exception of those which tested the model or have undergone Tailored Reviews since 2021, will complete the self-assessment by 31 March 2026 and decide with their partnership teams what further reviews are necessary.

The UK Government has halted the Tailored Review programme and, we understand, has no plans to restart it. As a result, the Welsh Government will not be restarting a programme of Tailored Reviews but is looking to offer a number of options for further, more detailed reviews of bodies. This will offer a more flexible approach to reviews based on the results of each self-assessment exercise. A further update on the roll out of the self-assessment exercise will be provided in due course.

Summary of Resource Outturn

- You say, in the notes to the Summary of Resource Outturn, a number of the Welsh Government's Arm's Length Bodies overspent in 2023-24. Aside from having to accommodate the overspending in your budgets, what are the implications for you (including the sponsor department) and the organisations themselves?

Response:

We will continue to work with arms' length bodies' leaders and sponsor teams to ensure that effective governance is in place.

Other issues

- In his July 2024 letter to the Committee, the AGW noted officials were preparing Ministerial advice about whether to sell the shareholding in TVR Automotive. Does the Welsh Government still hold an equity stake in TVR Automotive and if so, how does this represent value for money?

Response:

In August 2024, Cabinet Secretary for the Economy, Transport and North Wales approved the sale of all shares held by Welsh Government in TVR Automotive Limited at 'Fair Market Value' (FMV), as per the Shareholders Agreement.

The work of establishing the FMV is not straightforward. TVRA are still a pre-revenue-based entity with very little asset value beyond branding and there is little by way of industry comparatives and a business plan that is still to be achieved.



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The sale has yet to complete (the equity stake is still held) but negotiations are underway.

- Has the Welsh Government now leased the refurbished factory in Ebbw Vale; if so, what are the terms of the lease and will it generate the expected return?

Response:

The property remains vacant but is the subject of an active enquiry from a potential occupier. Discussions/ negotiations are progressing.

- How many vacant commercial properties is the Welsh Government holding and how does it decide when to sell them?

Response:

The vacancy level on the lettable estate currently stands at circa 12%. There are currently 17 whole buildings that are vacant and not available for letting due to reasons such as refurbishment, being under offer, or awaiting demolition.

Assets within the Economy portfolio are sold either in pursuit of Economic Development policy objectives, or when identified as being surplus to requirements for policy delivery.



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