



Mark Isherwood MS
Chair
Public Accounts and Public Administration Committee
Senedd Cymru

26 March 2026

Dear Chair

INDUSTRY WALES

Thank you for your letter of 20 March 2026 regarding the recent evidence provided to you by the Chief Executive and Chair of Industry Wales (IW). I welcome the opportunity to respond to the Committee's concerns, and also to place on record several factual points that have perhaps not emerged in the evidence provided to date.

At the outset, I want to emphasise that the term-of-government remit for IW ran until March 2026. Any continuation would have required an active Welsh Government decision to extend or renew the remit. This context is important in understanding the timing and purpose of the review.

1. Discharging the Additional Accounting Officer role

My responsibilities include advising Welsh Ministers on whether Arm's Length Bodies (ALBs) are delivering their remits, operating effectively, and providing value for money. As the Additional Accounting Officer, such oversight arrangements do not routinely fall to me directly, but are discharged through established mechanisms. In the case of IW, the oversight function was largely undertaken by the relevant sponsorship team, who have attended quarterly Board meetings as observers, and considered quarterly integrated reports, financial monitoring and Board papers and minutes.

The issues identified in the review did not arise suddenly. The review began in early 2025 precisely because IW was entering the final year of its remit, and because the sustainability of its governance and operating model had been raised in internal Welsh Government analysis set against the changing economy at a micro and macro level. The review was deemed the appropriate mechanism to consider these issues in a structured way.

2. Guidance and methodology for the review

The review of IW was not a tailored review, nor was it required to be. It was therefore not based on the UK Cabinet Office guidance, which was formally withdrawn in 2023. Instead, it was a proportionate internal review that considered the views of a range of stakeholders, with terms of reference agreed with the CEO of IW at the outset. The approach taken was consistent with the needs of a small ALB with a narrow remit and, at the time the review began, a workforce of five staff.

3. Use of a Senior Civil Servant as reviewer

A senior official was appointed because they possessed long-standing knowledge of IW's structure, finances, remit and history, including involvement in the organisation's establishment. This ensured continuity, contextual understanding and value for money, proportionate to the size of the organisation. The review was supplemented by structured interviews across stakeholders to provide balanced advice. Independent panels, such as those used for major national institutions, would have been disproportionate for an ALB of this scale.

4. Timeline and engagement with IW

Officials informed IW in January 2025 that a review would be undertaken, and the Terms of Reference were shared with the CEO, who provided comments which were incorporated before agreement. Engagement continued throughout the process: officials met the CEO in April 2025 to discuss early emerging findings; Welsh Government attended Board meetings in April and July and provided regular updates; and the Deputy Director for the Sponsor Team and CEO held monthly review check-ins in May, June and August of last year.

There were further exchanges in August and September relating to the draft review report and options analysis ahead of finalisation. IW were also provided with early sight of the draft Written Statement during this period, ahead of its publication in October. While there is often scope to develop and augment communications in such sensitive situations, I would argue that this level of ongoing engagement demonstrates IW was kept informed and actively involved throughout the process.

5. Allegation of predetermined outcomes

As stated above, IW was issued with a term-of-government remit running to March 2026, at which point its remit and funding would naturally conclude unless a further active decision to continue was taken by Welsh Ministers. Rather than simply allowing the organisation to reach the end of that remit, a review was commissioned to examine whether there was merit in continuing IW in some form. Since its establishment in 2013, IW has received new remit letters at the start of successive government terms where continuation was judged to add value.

The 2025 review was commissioned to inform the decision on IW's future as it entered its final year. The Terms of Reference were shared with IW at the outset, and the CEO was invited to comment and agree them before they were finalised, providing a genuine opportunity to influence the scope and direction of the review.

In April 2025, the CEO also submitted a scenario paper setting out a range of potential future options for the organisation, including proposals for structural changes and

alternative governance arrangements. These ideas, together with evidence gathered through interviews, documentation review and analysis, were considered as part of the assessment.

Taken together, I believe this demonstrates the review explored multiple pathways and was not conducted with a predetermined outcome in mind.

6. Quantitative analysis and financial assessment

While the review did not include a separate published cost–benefit annex, it did draw upon IW’s financial position, governance model, expenditure patterns, staffing costs, and historical internal audit findings. These were assessed against the value-for-money considerations as set out in the Written Statement of 2 October 2025. Given IW’s small scale, the financial evidence base was necessarily proportionate.

7. Staff support and knowledge transfer

It is correct that IW employees are not Welsh Government employees, and redundancy procedures sit with IW as the employer. Welsh Government has:

- provided additional funding in Quarter 4 of 2025–26 to support redundancy payments including individuals under IR35;
- maintained regular contact with the CEO regarding staffing impacts; and
- confirmed that the IW accountant will support the statutory closure process including additional funding required.

You will be aware, as part of the evidence provided by the IW Chair and CEO, that IW’s operating period has been extended by three months to support the closure process. This reflects our commitment to ongoing engagement and to a managed closure. As part of this, Welsh Government has explicitly included provision for the handover and transfer of institutional knowledge, ensuring continuity for the sector forums and relevant policy teams.

Additional funding was provided within the extension budget to support retraining of one staff member at the request of the CEO, for professional upskilling, specifically BSI Auditor training.

8. Treatment of the Board

Welsh Ministers are required to inform the Senedd of major decisions before external bodies, which is why the Written Statement was issued first. The Board was not excluded from the process, as stated previously. Both the Chair and CEO were interviewed during the review, their views were reflected in the evidence, and they received the draft Written Statement in advance, with the opportunity to comment, meaning they were aware of the proposed outcome well before its publication on 2 October 2025.

While Welsh Ministers are required to notify the Senedd first, I acknowledge (as above) that communication could still have been better. The CEO and Chair had a positive meeting with the Cabinet Secretary for Economy, Energy and Planning on 11 March 2026 where she committed to learning lessons and apologised directly for how the handling of the announcement had landed.

9. Sector forums

Aerospace Wales has now fully transferred its guarantor role to its own Board, ensuring continuity of operation. Net Zero Industry Wales is progressing positively toward transition, with discussions on future governance and guarantor arrangements expected to conclude imminently. Technology Connected and the Welsh Automotive Forum have opted to close, having assessed that they were not financially sustainable as independent entities.

These developments reflect decisions made by the forums themselves rather than by Welsh Government. The decision to dissolve IW does not remove Welsh Government's commitment to supporting advanced manufacturing, net zero or skills, all of which continue through other programmes and bodies.

10. Lessons learned

In my previous evidence, I noted there were areas we could have handled differently. It would not be right for me to comment further on such matters until a thorough lessons-learned exercise has been undertaken following the completion of the closure process. At her meeting with IW on 11 March 2026, the Cabinet Secretary reiterated her commitment to this.

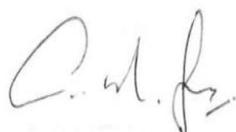
The CEO has agreed to contribute to this work during the extension period to ensure that the lived experience of the process is captured. This learning will also inform wider cross-government work on strengthening ALB sponsorship arrangements, communication channels, governance escalation routes and expectations on both sides.

Finally, the Civil Service is increasingly embedding the use of digital tools, including AI, into everyday work. Our focus is on ensuring these tools are used carefully, proportionately and transparently, with proper training in place for staff. The role of AI in this review has been overstated at times; its use was simply as a support tool for officials - in this case, to assist with minute-taking, consistent with wider Civil Service practice. Its purpose and use were explained to all those involved in the process at the time.

I hope this response helps in clarifying the factual position and with addressing the Committee's concerns in full.

With best wishes.

Yours sincerely



Andrew Slade
Director General
Economy, Energy and Transport