

**Shan Morgan**  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

Mr N Ramsay AM  
Chair, Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

27 August 2020

Dear Mr Ramsay,

## **PUBLIC ACCOUNTS COMMITTEE 6 JULY 2020**

Further to your letter dated 14 July 2020, please find responses to the questions that the Committee was unable to reach due to time constraints at their meeting on 6 July 2020.

### **Civil Service and the well-being of staff**

#### **1. Given the pressures, what is the risk that Welsh Government staff – including the Senior Leadership Team or you - will ‘burn out’? How are you mitigating this risk, and what action are you taking to ensure that staff across the Welsh Government take annual leave?**

- We are very conscious that a number of staff have been working at high intensity and for long hours to deal with the impact of the Coronavirus pandemic for a sustained period. From the outset we have provided advice and guidance to staff on the support mechanisms that we have in place for them and how they should take breaks to try to deal with their workloads. I have been very clear in all my messages to staff that this is a marathon not a sprint.



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- We have already advised managers to ensure that staff take leave over the next few weeks to rest and recuperate but also to prepare themselves for what will be a busy period until the end of the year. More formally, as part of our work on recovery and re-set planning, we have asked every line manager to have an individual discussion with their team members during the period 1st to 22nd July, focusing specifically on their wellbeing and considering what specific support they might need as we prepare for the next period. Managers have been provided with an extensive package of materials, advice, guidance and support channels to help them have these 1-1 conversations.
- For myself and the senior team, this is a topic we re-visit regularly, supporting each other to maintain our resilience and well-being. I now hold fortnightly 'virtual' meetings with the whole Senior Civil Service with well-being and resilience a standing topic for discussion.
- Our package of support for staff well-being is continuously reviewed, expanded and promoted through our intranet and leadership communications, informed by a pulse survey which we ran in May on the early impacts of the crisis on our working lives. A follow-up survey, specifically focused on peoples' experience of working remotely, is taking place in August which will give us further insight into the challenges some staff are facing. Line managers have been provided with materials and guidance to support them in holding conversations with all team members about their well-being. This includes an individual risk assessment tool which we have encouraged managers to share with their staff – including colleagues from black and ethnic minority backgrounds who may have heightened concerns about the risks of Covid 19 given the disturbing evidence on differential impacts that has emerged during the global pandemic.

## Internal Audit

### **2. Can you provide an update on the review of Internal Audit work in 2020-21: has this been completed; what were the main findings and has the Welsh Government retained sufficient resources in the core team to carry out this work?**

- The Head of Internal Audit has completed her review of the audit priorities for 2020-21 using current risk and expenditure information, input from the Directors General and other senior managers and the corporate knowledge of the audit team.



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- A draft plan for the remainder of 2020-21 has now been created which identifies separate “blocks” of assurance which, if set alongside the audit work performed so far this year, the Head of Internal Audit believes will provide a suitable body of work upon which to provide a competent year-end opinion drawn from the following control areas:
  - Covid-related expenditure;
  - Brexit;
  - Priority programmes;
  - Corporate Systems;
  - IT; and
  - Group-specific risks.
- The plan also allows for Internal Audit’s contractual commitments to the National Library of Wales, the Welsh Revenue Authority and the Royal Commission on the Ancient and Historical Monuments of Wales (but not for any support to Transport for Wales).
- Resource levels are improving with the return of some Internal Audit staff who were deployed to support Covid19 and the recruitment of temporary staff, although the team would need to be bolstered further in order to deliver the proposed plan in its entirety. We are considering next steps at the moment in the context of the overall resource pressures and competing demands within the organisation and I will keep the Committee in touch with developments

### **3. How will the Welsh Government manage the conflicts of interest as a result of Internal Audit staff being redeployed to carry out executive roles? How will this affect Internal Audit capacity for 2020-21 and future years?**

- Normal professional practice is for an internal auditor to not audit an area in which they have had executive involvement for a period of at least 12 months following the end of that involvement. This practice will be followed by the Welsh Government Internal Audit Service for the next twelve months.
- Normally, the Internal Audit Managers and Senior Auditors in the Team are allocated to specific areas of Welsh Government activity, to allow them to develop subject matter knowledge and expertise. A more fluid, agile approach to the allocation of audit assignments will be followed for the next 12 months to allow the Management Team to organise assignments so no auditor is asked to audit an area they worked in as part of the Covid19 response.



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- Internal Auditors themselves are required to assess any conflicts of interest they have as part of their Professional Code of Ethics. The Management Team will ask Internal Auditors to document whether they have any potential conflicts as part of the planning for each audit assignment.
- Where an Internal Auditor has valuable insight and understanding in an activity which formed part of the WG Covid19 response, it will be beneficial to draw on that experience as part of any systematic review which Internal Audit undertakes. However, in this case, only auditors not involved in that activity will be able to quality assure all the audit work undertaken and evaluate the assurance opinion/conclusion to be given and sign-off the assignment.

### Access to data - HMRC Database

#### 4. The Welsh Government does not have access to the HMRC database. What is your assessment of the impact of this on the appraisal process for grant claims?

#### How much staff time would have been saved if officials had access and what steps have you taken to obtain access to the HMRC database?

- We are in discussion with HMRC over access to its data as part of the wider National Fraud Initiative.
- The National Fraud Initiative, involves sharing and matching data with similar information held by other public sector bodies to identify potential fraud, error and other anomalies. A feature of the NFI in 2020-21 will be to undertake cross-organisational data matching against Covid-19 payments.
- The terms and conditions of our grant award letters enable us to take retrospective recovery action if appropriate, for example in relation to any duplication of funding or fraud.
- The Welsh Government is continually looking for opportunities to share data with other organisations in order to minimise the possibility of loss or fraud.
- The Central Due Diligence Team and Internal Audit are currently piloting a **new Fraud Prevention Tool**. The tool, developed by the UK Governments Counter



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Fraud Function with Experian can verify an organisation's bank account details, if a company exists and is actively trading. The pilot is seeking to determine if the tool can be incorporated into pre and post-event checks undertaken on organisations applying for or in receipt of COVID-19 related funding.

- In addition to retrospective checks, officials will be undertaking due diligence on organisations at the point of applications for grant funding. The level of due diligence needed will depend on the risk and scale of the organisations and projects. Therefore, access to HMRC would complement rather than replace existing due diligence activities.
- Due diligence at the point of application is undertaken using a variety of sources:
  - Information requested as part of the application process such as VAT and PAYE data and bank statements.
  - Cross referencing with information already held by the Welsh Government.
  - Information from a variety of external sources including companies' house, creditsafe (which provides information on sole traders), the charity commission (for grants to the third sector) and company watch.
- We also have the central due diligence team who routinely provide what we describe as financial health check reports for organisations being funded by the Welsh Government. The team is also available to support policy leads with ad hoc checks.

## Supporting and funding other organisations: Local authorities

### 5. How will the Welsh Government obtain assurance over the Covid-19 grants administered by local authorities and how will it evaluate their impact?

- The hardship fund for additional costs is a reimbursement scheme, so local authorities submit monthly claims for additional costs. The scheme has broad parameters for each ring fenced area.
- The claim process is light touch so that the administrative burden on local authorities is reduced as much as possible.



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- The claims are reviewed by a panel made up of officials from the local authority finance team, relevant policy team and two independent members, one from the WG strategic budgeting team and one external to WG (ex LA treasurer). This means that authorities are recompensed on a consistent basis.
- For example 50% of IT claims for remote working have been paid as they are ongoing assets and some councils had already invested in this area; some small items where we expect usual budgets to be flexible enough to cover have been excluded; council tax reduction scheme has been excluded as this is being looked at separately.
- £2.4m was claimed for March additional costs / £16.7m for April additional costs
- A breakdown of the amounts paid to May and claimed for June are :

<b>Hardship fund</b>	<b>Costs paid to end May</b> (an additional £3.955m under clarification, approved amounts to be paid with June claim)	<b>Claims for June</b> (currently being reviewed)
Free school meals	£7.124m (£3.4m under clarification) majority waiting for additional.	£6.296m
Homelessness emergency response	£2.127m	£2.485m
Social care	£20.457m	£24.179m
Excess deaths provision	£1.601m	£1,359m
General	£13.681m	£20.173m
<b>Total</b>	<b>£44.991m</b>	<b>£54.492m</b>

## Monitoring spend and securing outputs

- Each claim is certified by the Authority's Chief Finance Officer – its 151 Officer - that the expenditure has been incurred on the relevant areas of activity, that it is additional to planned expenditure and net of savings for example as a result of furloughing staff, or not delivering a service.



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- Authorities include commentary in the claim – and for some areas e.g. FSM, there is required additional data on outputs.
- The terms of the fund allow for audit and LA have ongoing internal and external audit requirements in place for expenditure overall.

## Supporting the Economy

### **6. Airbus announced significant job losses at its base in Broughton last week. The Minister for Economy, Transport and North Wales has issued a statement on the actions being taken to respond to the crisis facing the aerospace industry in Wales. Are you able to provide an update on these actions and the Welsh Government's to support the aerospace industry in Wales in the future?**

- The Minister for Economy, Transport and North Wales has established a Regional Employment Response Group (RERG). This is a Welsh Government led multi-agency team working across North Wales and the cross-border areas. Membership includes Airbus, the supply chain, trade unions and all key agencies to ensure the rapid and effective deployment of all support required to individuals and the supply chain. This group met for the first time on 13 July.
- A Cross-Border Supply Chain Group was also established and acts as a sub-group to the RERG. Working with local authorities in NE Wales and NW England, it is specifically looking at the impact of the Airbus redundancy announcement on supply chain companies. In addition, the Aerospace Wales Forum led a round table discussion on 9 July with supply chain companies from across NE Wales and NW England to capture their concerns, the impact on their business and plans for recovery.
- Working in close partnership with DWP, the Cross-Border Supply Chain Group will produce a single source reference document of support available to affected staff across both regions. This is in early draft stage and should be available to share over coming weeks. It is anticipated that this group will also become a vehicle for us to coordinate efforts in response to any further redundancy announcements that may occur as a result of Covid-19 and changes in the UK furlough scheme.
- The Minister for Economy, Transport and North Wales will be convening a high-level summit to discuss the future of aerospace, automotive and wider high value



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manufacturing over coming weeks and we hope the UK Government will be a part of this.

## Learning lessons

### 7. Please could you provide an update on the results of the Crisis Survey Response to which your letter of 1 June 2020 referred.

- As outlined in my answer earlier, the Pulse Survey that was conducted across the UK civil service included some extremely useful high level feedback on how our staff are experiencing working through the crisis with positive responses on how well supported they feel and their confidence in the decisions being taken by senior leaders. We are of course taking very seriously the feedback on well-being and the concerns of colleagues who are struggling with the dual challenge of work and caring responsibilities.
- I have asked every Head of Division to talk through the Pulse Survey results and the Divisional responses to our earlier People Survey (which was conducted in March) with their teams as part of our preparation for recovery and re-set. I have also asked managers to talk to teams about how we support our BAME colleagues during the crisis given the disproportionate impacts of coronavirus on the BAME community. I have sent a strong signal across the organisation that this is a matter of top priority for all of us. Feedback and actions from these sessions will be collated and analysed so that this insight informs ExCo action-planning at a corporate level as well as local action plans.

## Easing restrictions and Covid-19 recovery

### 8. The Welsh Government has emphasised the importance, to public health and public confidence, of sectors opening safely. What were the respective roles of Welsh Government and Cardiff Airport in respect of the Ryanair flights that departed on Friday 3 July from Cardiff Airport to Malaga and Faro, ahead of the lifting of the requirement to 'stay local' and lifting of the restriction on 'non-essential travel' and how have the related public health risks been managed?

- The Welsh Coronavirus regulations did not prevent Ryanair from flying. As a commercial and independently run entity, Cardiff Airport was contractually obliged to facilitate flights from airlines that have taken the decision to run them despite restrictions on all but essential travel remaining in place.



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- It might have been possible for Welsh Government to close the Airport or prevent flights on public health grounds but strong evidence would have been required to do so. Ministers wrote to Ryanair asking it to postpone the operation of its flights until the planned changes to the 'stay local' regulations had taken effect. Ryanair declined.
- The potential risk arising from passengers traveling on these flights was that people might travel unnecessarily, so in breach of the 'stay local' legislation which was in place at that time. However, as well as people returning to Wales on board these flights, the Welsh Coronavirus regulations allowed people to leave their local area if they had a reasonable excuse, so there were people who could legitimately travel to the airport and depart on those flights.
- Throughout the pandemic, we have relied on individuals taking responsibility for their own actions and only to travel if the rules allow. Anyone travelling to the airport on 3 July without a reasonable excuse faced prosecution. We understand that a substantial number of passengers that were booked on to the flights sensibly chose not to travel.

**9. It has been reported in the media that the Welsh Government has spent more than £11m on the Bryn Cegin business park in Bangor which has remained empty for 20 years. Could you explain what plans the Welsh Government has for the future of the business park and is there potential for it to be used to stimulate economic recovery post Covid-19?**

- We are continuing to work with Gwynedd Council to attract businesses to the Bryn Cegin Business Park site. Work is ongoing to develop a park and share/ride facility, which will help people working outside the Bangor area. In addition, the site has also been identified as a potential early development opportunity in the North Wales Growth Deal and we will work closely with the Economic Ambition Board to deliver investment and job opportunities to the site. On commercial property more generally, officials will shortly be preparing advice for the Minister for Economy, Transport and North Wales following the completion of research on this subject which will include recommendations for Welsh Government interventions in the provision of commercial property as set out in the Economic Action Plan.



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## Actions Points following the meeting

### 1. 'Test Trace Protect'

**It was agreed during the meeting that Dr Andrew Goodall would send us further information on the evaluation mechanism for the contact tracing system – 'Test Trace Protect'.**

The key to ensuring an effective contact tracing operation, which can successfully help to reduce transmission of the virus, is twofold; (i) speed in all parts of process (from test result turnaround times to rapid identification of close contacts) and (ii) the public's continuing support, buy-in and compliance. There is an expectation, based on scientific and public health advice (SAGE subgroup SPI-M modelling paper, 22 June 2020) that the contact tracing operation should aim to trace an estimated 80% of contacts, at least 35% of which to be traced within 24 hours.

This means we need to consider:

- The proportion of positive cases successfully contacted and providing details of close contacts.
- The proportion of close contacts successfully traced and advised to self-isolate.
- The time taken for contacts to be advised to isolate.

It is well established through international (WHO) and national (SAGE & TAC) evidence that speed of response in the end-to-end process is paramount alongside the compliance of the public to heed advice and abide by the law. Non-compliance rates are by their very nature hard to measure however due consideration is being undertaken as to improving intelligence within this area. We publish weekly performance data setting out the number of cases and contacts and the proportion successfully traced.

The effectiveness of the system has been evidenced through its success managing and containing outbreaks of cases such as those we have seen within communities in Anglesey and Ebbw Vale. Our ability to rapidly identify and respond to incidents via TTP enables us to limit transmission and contain outbreaks. This is set against broader measures that are in place to measure community transmission from positive cases such as monitoring of the *R* number of the virus and the overall number of positive cases. Sero-surveillance studies will provide us with more information about prevalence within communities enabling us



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to refine our models and approach. Such measures allow us to apply relevant circuit breakers as and when required to ensure containment.

## 2. Staff working hours and annual leave

**During the consideration of the evidence received, Members also requested that I write to you to ask for information about Welsh Government staff working hours and annual leave. Please could you provide us with anonymised data showing how much annual leave has been taken by Welsh Government staff between 1 March and 30 June 2020, broken down by grade and by gender, set against the same data for the period 1 March – 30 June 2019? Could this data also include how many non-working days and weekends staff, by grade, have worked?**

We do not record annual leave centrally and cannot therefore provide the information requested. Colleagues arrange annual leave directly with their line managers. We are also operating flexible working arrangements and staff can adapt their working time and days to support their work life balance and caring commitments so when they are working would not necessarily provide an accurate view of working hours.

We undertook a pulse survey with our staff and 1 in 8 respondents (13%) reported having poor wellbeing over the previous week while 43% reported having good wellbeing. The survey also showed that whilst most staff reported feeling very well or fairly well supported by their manager (90%) and their team (94%), 42% of would like more support in managing their workload. This has been a key focus in recent line manager led discussions with team members on priorities, well-being and the support available to staff.

## 3. Welsh Government Sponsored Bodies

**At the meeting, Members asked about your assessment of the impact on Welsh Government Sponsored Bodies (WGSBs) of the loss of their trading and other non-government income during the pandemic and what financial support has been, or will be, provided to them. You told the Committee, Ministers had discussed “the implications of budget reductions with the sponsored bodies ahead of the publication of the first supplementary budget” and the Welsh Government would be working with WGSBs in the year ahead to support them in their decision making.**

**On 9 July 2020, the Chief Executive of Natural Resources Wales (NRW) told the Senedd Climate Change, Environment and Rural Affairs Committee its review had identified cost pressures and loss of income, which resulted in a potential £15**



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**million shortfall in its budget. While Welsh Government had provided £5 million of additional capital funding, NRW was reportedly using reserves from previous timber sales and had identified savings of £8.8 million to address the funding gap.**

**We would be interested to receive information about WGSBs that are experiencing significant reductions in trading income or non-government funding -such as NRW, HEFCW and Sport Wales- as a result of Covid-19. What is the extent of the difficulties they are facing, are they reporting changes in their costs as a result of the pandemic, how they are responding and what support is being provided by Welsh Government officials (including the Public Bodies Unit).**

There are exceptional challenges across most, if not all, public sector bodies as a result of C19 ... Ministers are receiving regular updates on the financial position of bodies ... we have already allocated more than £2.5bn to respond to C19 ... but we are unlikely to be able to cover all of the pressures that are being faced and hard choices will be required.

Public Bodies Unit is not responsible for decisions on the resources given to Arms-Length Bodies in Wales but has been established to improve engagement with, and the governance of, the Arms-Length Bodies for which the Welsh Government is responsible, and has, inter alia, put in place templates for consistent Arms-Length Body Framework Documentation, Term of Government Remits and a Risk Assurance model which will inform the five-year cycle of Tailored Reviews.

One of the key considerations in all Tailored Reviews, a programme of which will consider all Arms-Length Bodies in Wales over the term of the next Welsh Government, is the efficiency with which Bodies spend effectively and efficiently the resources allocated to them, including consideration of the outcomes each body can deliver with the resources Ministers allocate to them.

Not surprisingly, the impact of COVID upon our public bodies has varied according to the individual circumstances of the organisation. Some have been more affected than others. As the Committee notes, those bodies which rely more upon earned income have felt the most impact. All of our bodies recognise the scale of the crisis which we are dealing with at the moment and are endeavouring to absorb pressures or to reprioritise where they can, in common with the rest of the public service and the Welsh Government itself. We maintain a close dialogue with our public bodies individually, and also collectively through the Public Leaders Forum. At the time of writing, Welsh



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Government Ministers are in the process of considering an assessment of the pressures upon each public body, drawing upon information compiled in dialogue with them.

#### 4. International Convention Centre (ICC) Wales

**On 9 July 2020, and subsequent to the meeting, the Celtic Manor Resort and International Convention Centre (ICC) Wales announced a redundancy programme as a result of the pandemic and the related restrictions for the hospitality and tourism sectors. It is expected to result in a loss of 450 staff from the permanent workforce of 995. We would welcome information about the Welsh Government's assessment of its exposure to financial risk as a result of this announcement and the wider economic conditions. Have you changed the value or classification of any related liabilities and if so, could you please provide details?**

The impact of Covid-19 has been acute at International Convention Centre Wales (ICCW). ICCW closed its doors early in March and as a consequence has had no income; a situation that is expected to continue into 2021. The company is, however, reporting that it has received some bookings for early in 2021 and is expecting to trade at circa 50% of pre-coronavirus levels next year. The scale of the ICCW means it is well placed to operate under social distancing rules and this fact, coupled with its on-site parking and out of town location, means that it is better equipped to deal with the ongoing challenges of Covid-19 than many of its competitors. The majority of ICCW staff are currently on furlough, but with that scheme scheduled to close at the end of September, a total of 40 members of staff have been formally advised that their jobs are at risk.

The ICCW Board has developed a revised strategy to reflect the anticipated reduced level of trading and has been able to secure additional loan finance from Nat West. The Board is reviewing its financial arrangements to enable ICCW to trade through 2021 and to continue with a lower than originally forecast level of business in 2022. As part of this, the Board has requested additional equity investment from each of the shareholders. Officials are preparing advice for the Minister for Economy, Transport and North Wales on this subject.

The key liability for Welsh Government in this company relates to the joint and several guarantee of the construction loan from Nat West. With that bank showing continued support for the business, there is no expectation at present of the guarantee being called. In addition, with client bookings once again being taken for next year, there is no reason to reduce the value of the investment. As an aside, it is worth noting that Celtic



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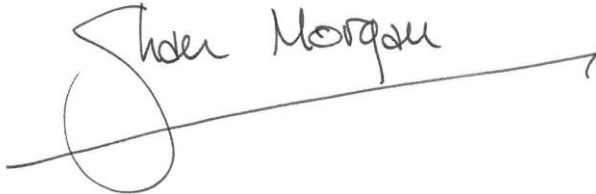
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Manor Resort is already experiencing a degree of recovery as it is hosting hotel guests and the golf courses are once again active.

If you require any further information, please let me know.

Yours,  


**Shan Morgan**  
Ysgrifennydd Parhaol/ Permanent Secretary  
Llywodraeth Cymru/ Welsh Government



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