

Agenda – Y Pwyllgor Cyfrifon Cyhoeddus

Lleoliad:	I gael rhagor o wybodaeth cysylltwch a:
Ystafell Bwyllgora 3 – Senedd	Fay Bowen
Dyddiad: Dydd Llun, 2 Hydref 2017	Clerc y Pwyllgor
Amser: 12.45	0300 200 6565
	SeneddArchwilio@cynulliad.cymru

(Rhag-gyfarfod preifat 12.45 – 13.00)

- 1 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau**
(13.00)
- 2 Papur(au) i'w nodi**
(13.00 – 13.05) (Tudalennau 1 – 6)
 - 2.1 Glastir: Llythyr gan gan Llywodraeth Cymru (18 Medi 2017)**
(Tudalen 7)
- 3 Craffu ar Gyfrifon 2016–17: Comisiynydd Cenedlaethau'r Dyfodol Cymru**
(13.05 – 14.00) (Tudalennau 8 – 81)

Papur briffio gan y Gwasanaeth Ymchwil

PAC(5)–24–17 Papur 1 – Adroddiad Blynyddol a Chyfrifon 2016–17

Comisiynydd Cenedlaethau'r Dyfodol Cymru

PAC(5)–24–17 Papur 2 – Llythyr Setliad Comisiynydd Cenedlaethau'r Dyfodol Cymru ar gyfer 2016–17

Sophie Howe – Comisiynydd Cenedlaethau'r Dyfodol ar gyfer Cymru

Helen Verity – Cyfarwyddwr Cyllid a Llywodraethu Corfforaethol
- 4 Craffu ar Gyfrifon 2016–17: Llywodraeth Cymru**
(14.00 – 15.00) (Tudalennau 82 – 130)

Papur briffio gan y Gwasanaeth Ymchwil



PAC(5)-24-17 Papur 3 – Cyfrifon Cyfunol Llywodraeth Cymru ar gyfer 2016-17

PAC(50)-24-17 Papur 4 – Cyfrifon Llywodraeth Cymru ar gyfer 2015-16 – Y wybodaeth ddiweddaraf am daliadau teithio rhatach

Shan Morgan – Ysgrifennydd Parhaol, Llywodraeth Cymru

David Richards – Cyfarwyddwr Llywodraethu, Llywodraeth Cymru

Gawain Evans – Cyfarwyddwr Cyllid, Llywodraeth Cymru

Peter Kennedy – Cyfarwyddwr Adnoddau Dynol, Llywodraeth Cymru

(Egwyl 15.00 – 15.05)

5 Heriau digidoleiddio: Sesiwn dystiolaeth

(15.05 – 15:35)

(Tudalennau 131 – 143)

Papur briffio gan y Gwasanaeth Ymchwil

PAC(5)-24-17 Papur 5 – Llythyr gan Ysgrifennydd Parhaol Llywodraeth Cymru

Shan Morgan – Ysgrifennydd Parhaol, Llywodraeth Cymru

Caren Fullerton – Prif Swyddog Digidol, Llywodraeth Cymru

Peter Kennedy – Cyfarwyddwr Adnoddau Dynol, Llywodraeth Cymru

6 Sesiwn ffarwél James Price, Dirprwy Ysgrifennydd Parhaol Grŵp yr Economi, Sgiliau a Chyfoeth Naturiol

(15.35 – 16.05)

(Tudalennau 144 – 155)

Papur briffio gan y Gwasanaeth Ymchwil

James Price – Dirprwy Ysgrifennydd Parhaol Grŵp yr Economi, Sgiliau a Chyfoeth Naturiol

7 Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer y busnes a ganlyn:

(16.05)

Eitemau 8, 9, 10 a 11

8 Craffu ar Gyfrifon 2016–17: Trafod y dystiolaeth a ddaeth i law

(16.05 – 16.15)

9 Heriau digidoleiddio: Trafod y dystiolaeth a ddaeth i law

(16.15 – 16.25)

10 Sesiwn ffarwél: Trafod y dystiolaeth a ddaeth i law

(16.25 – 16.30)

11 Gyllid Cychwynol Llywodraeth Cymru i brosiect: Trafod gohebiaeth y Pwyllgor

(16.30 – 17.00)

(Tudalennau 156 – 192)

PAC(5)–24–17 Papur 6 – Llythyr gan y Cadeirydd at Lywodraeth Cymru (12 Gorffennaf 2017)

PAC(5)–24–17 Papur 7 – Llythyr gan Lywodraeth Cymru at y Cadeirydd (11 Medi 2017)

PAC(5)–24–17 Papur 8 – Llythyr gan Archwilydd Cyffredinol Cymru at y Cadeirydd (14 Medi 2017)

Cofnodion cryno – Y Pwyllgor Cyfrifon Cyhoeddus

Lleoliad:

Gellir gwyllo'r cyfarfod ar [Senedd TV](#) yn:

Ystafell Bwyllgora 3 – Senedd

<http://senedd.tv/cy/4347>

Dyddiad: Dydd Llun, 25 Medi 2017

Amser: 12.00 – 16.41

Yn bresennol

Categori	Enwau
Aelodau'r Cynulliad:	Nick Ramsay AC (Cadeirydd) Mohammad Asghar (Oscar) AC Neil Hamilton AC Vikki Howells AC Lee Waters AC
Tystion:	Maria Battle, Bwrdd Iechyd Prifysgol Caerdydd a'r Fro Owen Evans, Cyfarwyddwr, Sgiliau, Addysg Uwch a Dysgu Gydol Oes, Llywodraeth Cymru Len Richards, Bwrdd Iechyd Prifysgol Caerdydd a'r Fro
Swyddfa Archwilio Cymru:	Huw Vaughan Thomas – Archwilydd Cyffredinol Cymru Matthew Mortlock Mike Usher Dave Rees John Herniman
Staff y Pwyllgor:	Fay Bowen (Clerc)



	Meriel Singleton (Ail Glerc) Claire Griffiths (Dirprwy Glerc) Katie Wyatt (Cynghorydd Cyfreithiol)
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1 Craffu ar Gyfrifon 2016–17: Strategaeth y Pwyllgor

1.1 Cymerodd Aelodau'r Pwyllgor ran mewn hyfforddiant fel rhan o'u paratoi ar gyfer y gwaith sydd i ddod ar graffu ar gyfrifon.

2 Archwiliad o Gydberthynas Gytundebol Bwrdd Iechyd Prifysgol Caerdydd a'r Fro gydag RKC Associates Ltd a'i Berchennog: Gwybodaeth gan Archwilydd Cyffredinol Cymru

2.1 Rhoddodd Archwilydd Cyffredinol Cymru wybodaeth ar lafar ar ganfyddiadau ei Archwiliad o Reoliadau Contractio Bwrdd Iechyd Prifysgol Caerdydd a'r Fro gyda RKC Associates Ltd a'i Berchennog, a gyhoeddwyd ar 17 Gorffennaf 2017.

3 Cyllid Llywodraeth Cymru ar gyfer Carmarthenshire Energy Limited: Gwybodaeth gan Archwilydd Cyffredinol Cymru

3.1 Rhoddodd Archwilydd Cyffredinol Cymru wybodaeth ar lafar ar ganfyddiadau ei Adroddiad ar gyllid Llywodraeth Cymru ar gyfer Carmarthenshire Energy Limited, a gyhoeddwyd ar 20 Gorffennaf.

3.2 Cytunodd yr aelodau y dylai'r Cadeirydd ysgrifennu at Gadeirydd y Pwyllgor Newid Hinsawdd, yr Amgylchedd a Materion Gwledig er mwyn rhoi gwybod iddo am yr Adroddiad.

4 Rhaglen Cefnogi Pobl Llywodraeth Cymru: Gwybodaeth gan Archwilydd Cyffredinol Cymru

4.1 Rhoddodd Archwilydd Cyffredinol Cymru wybodaeth ar lafar ar ganfyddiadau ei Adroddiad ar Raglen Cefnogi Pobl Llywodraeth Cymru, a gyhoeddwyd ar 31 Awst 2017.

4.2 Cytunodd yr Aelodau i gynnal ymchwiliad ar y mater hwn.

Trawsgrifiad

Gweld trawsgrifiad o'r cyfarfod (PDF 999KB) Gweld fel HTML (999KB)

5 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau

5.1 Croesawodd y Cadeirydd yr Aelodau i'r Pwyllgor.

5.2 Cafwyd ymddiheuriadau gan Rhianon Passmore AC. Ni chafwyd dirprwy ar ei rhan.

6 Papur(au) i'w nodi:

6.1 Cafodd y papurau eu nodi.

6.2 Cytunodd y Cadeirydd i anfon copi o ymateb Llywodraeth Cymru at Gadeirydd y Pwyllgor Iechyd, Gofal Cymdeithasol a Chwaraeon.

6.3 Mewn perthynas ag Eitem 6.7, Amseroedd Aros GIG ar gyfer Gofal Dewisol yng Nghymru a Gwasanaethau Orthopedig, nododd yr Aelodau y cynnydd a wnaed a chytunwyd i dderbyn diweddariad pellach ar gynnydd yn ystod gwanwyn 2018.

- 6.1 Trosolwg Llywodraeth Cymru o gyllid a darpariaeth colegau addysg bellach: gwybodaeth ychwanegol gan Lywodraeth Cymru (18 Gorffennaf 2017)
- 6.2 Cyllid Llywodraeth Cymru ar gyfer Kancoat Cyf: gwybodaeth ychwanegol gan Lywodraeth Cymru (21 Gorffennaf 2017)
- 6.3 Llywodraethiant Bwrdd Iechyd GIG Cymru: llythyr gan Dr Kate Chamberlain, Arolygiaeth Gofal Iechyd Cymru (19 Gorffennaf 2017)
- 6.4 Gweithredu Deddf Cyllid y GIG (Cymru) 2014: Llythyr gan Lywodraeth Cymru (25 Gorffennaf 2017)
- 6.5 Diogelwch Cymunedol yng Nghymru: Llythyr gan Lywodraeth Cymru (26 Gorffennaf 2017)
- 6.6 Gweithredu Deddf Cyllid y GIG (Cymru) 2014: Ymateb Llywodraeth Cymru i Adroddiad Archwilydd Cyffredinol Cymru
- 6.7 Amseroedd Aros y GIG ar gyfer Gofal Dewisol yng Nghymru a Gwasanaethau Orthopedig: Llythyr gan Lywodraeth Cymru (7 Awst 2017)
- 6.8 Gweithredu Deddf Cymru 2017: Llythyr gan y Llywydd (18 Awst 2017) a llythyr gan Ysgrifennydd Gwladol Cymru (17 Medi 2017)
- 6.9 Rhaglen Ysgolion ac Addysg yr 21ain Ganrif: Ymateb Llywodraeth Cymru i Adroddiad Archwilydd Cyffredinol Cymru

7 Rheoli perygl llifogydd ac erydu arfordirol yng Nghymru: Trafod ymateb Llywodraeth Cymru i adroddiad y Pwyllgor

7.1 Trafododd Aelodau'r Pwyllgor ymateb Llywodraeth Cymru i'r argymhellion yn adroddiad y Pwyllgor a nododd y bydd y Cadeirydd yn anfon copi o'r ymateb at Gadeirydd y Pwyllgor Newid Hinsawdd, yr Amgylchedd a Materion Gwledig.

7.2 Cytunodd yr Aelodau i gael y wybodaeth ddiweddaraf am gynnydd yn ystod y gwanwyn 2018 ond yn y cyfamser, bydd y Cadeirydd yn ysgrifennu i Lywodraeth Cymru yn gofyn am eglurhad ar nifer o bwyntiau a godwyd.

8 Ymchwiliad i oruchwyliaeth reoleiddiol ar Gymdeithasau Tai: Trafod ymateb Llywodraeth Cymru i adroddiad y Pwyllgor

8.1 Trafododd Aelodau'r Pwyllgor ymateb Llywodraeth Cymru i'r argymhellion a gynhwyswyd yn adroddiad y Pwyllgor a nododd yr ymateb cadarnhaol gan y sector tai.

8.2 Cytunodd yr Aelodau i gael y wybodaeth ddiweddaraf am gynnydd yn ystod y gwanwyn a Thachwedd 2018.

9 Cyllid cychwynnol Llywodraeth Cymru ar gyfer Prosiect Cylchffordd Cymru: Y wybodaeth ddiweddaraf ar lafar

9.1 Dywedodd y Cadeirydd wrth y Pwyllgor fod ymateb manwl i'w lythyr ar 26 Mehefin wedi'i dderbyn gan Lywodraeth Cymru a bod yr Archwilydd Cyffredinol wedi rhoi sylwadau arno.

9.2 Oherwydd pwysau amser, dywedodd nad oedd digon o amser i ystyried a thrafod yr ymatebion yn fanwl.

9.3 Cytunodd yr aelodau i drafod yr ohebiaeth hon yn ystod y cyfarfod ar 2 Hydref 2017.

10 Cyflogau Uwch-reolwyr: Gohebiaeth gan Lywodraeth Cymru

10.1 Trafododd yr Aelodau yr adroddiad gan Lywodraeth Cymru ar gyflog uwch reolwyr ar draws sector cyhoeddus Cymru 2015–16.

10.2 Gofynnodd yr aelodau i'r Cadeirydd ysgrifennu i Lywodraeth Cymru yn diolch iddynt am yr adroddiad ac yn gofyn bod adroddiadau blynyddol yn y dyfodol yn cynnwys manylion am sefydliadau addysg bellach a landlordiaid cymdeithasol cofrestredig yng Nghymru.

11 Archwiliad o Gydberthynas Gytundebol Bwrdd Iechyd Prifysgol Caerdydd a'r Fro gydag RKC Associates Ltd a'i Berchennog: Sesiwn dystiolaeth

11.1 Bu'r Pwyllgor yn craffu ar Len Richards, Prif Weithredwr a Maria Battle, Cadeirydd, Bwrdd Iechyd Prifysgol Caerdydd a'r Fro ar adroddiad Archwilydd Cyffredinol Cymru ar yr Archwiliad o Gydberthynas Gytundebol Bwrdd Iechyd Prifysgol Caerdydd a'r Fro gydag RKC Associates Ltd a'i Berchennog.

12 Sesiwn ymadawol: Owen Evans – Dirprwy Ysgrifennydd Parhaol, Grŵp Addysg a Gwasanaethau Cyhoeddus

12.1 Cynhaliodd y Pwyllgor sesiwn ymadawol gydag Owen Evans, Dirprwy Ysgrifennydd Parhaol, Addysg a Gwasanaethau Cyhoeddus, cyn iddo adael y sefydliad.

12.2 Dymunodd y Cadeirydd yn dda iddo yn ei rôl newydd fel Prif Weithredwr S4C.

13 Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer y busnes canlynol:

13.1 Derbyniwyd y cynnig.

14 Archwiliad o Gydberthynas Gytundebol Bwrdd Iechyd Prifysgol Caerdydd a'r Fro gydag RKC Associates Ltd a'i Berchennog: Trafodwyd y dystiolaeth a ddaeth i law

14.1 Trafododd yr Aelodau y dystiolaeth a ddaeth i law a chytunwyd i ddychwelyd i'r mater unwaith y derbyniwyd yr adroddiad gwrth-dwyll.

14.2 Yn y cyfamser, cytunodd y Cadeirydd i ysgrifennu at Brif Weithredwr a Chadeirydd Bwrdd Iechyd Prifysgol Caerdydd a'r Fro yn tynnu sylw at bryderon y Pwyllgor ac yn ceisio sicrwydd y bydd eu cynllun gweithredu yn mynd i'r afael â'r holl faterion a godwyd gan yr Archwilydd Cyffredinol a'r Pwyllgor.

15 Sesiwn ymadawol: Trafodwyd y dystiolaeth a ddaeth i law

15.1 Trafododd yr Aelodau y dystiolaeth a ddaeth i law.

Yr Adran Amgylchedd a Materion Gwledig
Environment and Rural Affairs Department



Llywodraeth Cymru
Welsh Government

Nick Ramsay AC
Cadeirydd, Pwyllgor Cyfrifon Cyhoeddus
Cynulliad Cenedlaethol Cymru
Bae Caerdydd
Caerdydd
CF99 1NA

18 Medi 2017

Annwyl Mr Ramsay

**CWBLHAU ARGYMHELLIAD O ADRODDIAD PWYLLGOR CYFRIFON CYHOEDDUS Y
CYNULLIAD: GLASTIR, CYHOEDDWDYD YM MIS MAWRTH 2015**

Yn dilyn Adroddiad y Pwyllgor ar Glastir a gyhoeddwyd ym mis Mawrth 2015 rwy'n ysgrifennu atoch i'ch hysbysu bod yr Argymhelliad canlynol (Rhif 8) wedi'i gwblhau:

"Dylai Llywodraeth Cymru adrodd i'r Pwyllgor, neu ei olynydd, ar ei gwaith monitro a gwerthuso unwaith y mae wedi'i ddatblygu'n ddigonol, ac yn sicr erbyn mis Mai 2016."

Mae'r gwaith yma bellach wedi'i gwblhau ac mae adroddiad terfynol Rhaglen Monitro a Gwerthuso Glastir (GMEP) bellach wedi'i gyhoeddi a gallwch ei lawrlwytho o borthol GMEP <https://gmep.wales/>.

Byddaf yn anfon copi o'r llythyr hwn at Archwilydd Cyffredinol Cymru ac i Uned Llywodraethu Corfforaethol Llywodraeth Cymru.

Yn gywir

ANDREW SLADE
Cyfarwyddwr Arweiniol dros yr Amgylchedd a Materion Gwledig

Parc Cathays/Cathays Park
Caerdydd/Cardiff
CF10 3NQ

Eitem 3

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon



Comisiynydd
**Cenedlaethau'r
Dyfodol**
Cymru

**Future
Generations**
Commissioner
for Wales

Annual Report and Accounts for the period 1 February 2016 to 31 March 2017

“What Wales is doing today, we hope the world will do tomorrow – action more than words is the hope for our future generations,” United Nations

Tudalen y pecyn 28

futuregenerations.wales

Performance Report

Foreword

I am pleased to present my first Annual Report for 2016-17 setting out my achievements since taking up post, my financial accounts and the work I will do over the coming year. The role of Future Generations Commissioner for Wales was established by the Well-being of Future Generations (Wales) Act 2015.

The legislation defines my role as to:

Promote the sustainable development principle; in particular, to act as a guardian of the ability of future generations to meet their needs and encourage public bodies to take greater account of the long-term impact of the things they do.

And for that purpose, to monitor and assess the extent to which well-being objectives set by public bodies are being met.

Sustainable development has been a part of the policy-making agenda in Wales for a long time but lasting change has yet to be delivered. There are still challenges in making the connections between the protection of our planet and what actually matters to people both here and now and in the future. The Future Generations Act provides a renewed emphasis and indeed a legal imperative for us to make those connections and to ensure that the decisions made today do not compromise the ability of future Generations to meet their own needs.

My first year of office has centered around engagement with public bodies and those who work with them as well as hundreds of other groups, organisations and individuals. My key message has been that to drive real change towards the Wales we want we must embrace the ethos and principles of the Act and not view it as a tick box compliance exercise.

We should embrace innovation and accept that in doing so we must be less risk averse. Government, public bodies and those who audit them must encourage well managed risk taking. To make the most of our public services we must not just work together but think together – this means a fundamental rethink about how policy making and public service delivery create the right environment to prevent problems from occurring and to promote well-being.

People provide the answers to many of these challenges and applying the involvement principle in the Act in a way which facilitates a better understanding of the lives people lead and what effects their well-being is crucial to meeting the other aspirations of the Act.

I have engaged in a number of pieces of work over the last year to support and challenge public bodies to properly implement the legislation but I am committed to championing the need to focus on the outcomes achieved. This year, and the following two years as the various first milestones of the Act are met, will be crucial in laying the foundations for the cultural change that is needed. I am keen to support those who want to make that change and not afraid to challenge those who do not. I hope however that those who take decisions on behalf of the people of Wales will be as determined as me to ensure that those decisions are fit for both our current and future generations.

Sophie Howe
Future Generations Commissioner for Wales

What we did in Year One

Listening and involving people in planning the journey

Involving people in the decisions that affect them is crucial to achieving long-lasting change. Alongside this an understanding of the key issues and challenges facing those trying to implement the Act is crucial and I therefore committed to meeting with the leadership of all 44 public bodies within the first six months to listen from the start to what they felt were the main challenges and opportunities presented by the Well-being of Future Generations Act.

During the first six months I also met with frontline professionals and held community workshops across Wales. I have personally carried out around 640 public engagements in my first year, including key note speeches or presentations at around 80 major events, with my team taking on many more –promoting and raising awareness of the Act and setting out the challenge to public sector bodies to adopt new ways of working. I have held sessions with Directors of Planning, Directors of Education, Chief Executives and Chairs of Health Boards, Directors of Public Health and Environmental Health Officers. I have attended a number of Public Services Board meetings and have engaged directly with support officers from all 19 of the PSBs across Wales. In the coming months I will be aiming to have sessions with all PSBs as part of my engagement with them as they undertake their well-being planning.

This has been the first important step towards building relationships, establishing a partnership approach and a better understanding of the journey ahead.

Planning our approach

This first phase of engagement has been an essential part of informing my approach over the term of my office.

The conversations with senior leaders, frontline staff, third and private sector and the wider public, as well as my own team, helped me to establish our organisational purpose as to:

- Highlight the big issues, challenges and opportunities facing future generations
- Support and challenge public bodies to think about the long-term impact of the things they do
- Work with others to drive the changes needed
- Walk the talk – be the change we want to see in others

This has been used to set out how we plan to make a difference over the next seven years. You can read more [here](#)

Highlighting the big issues, challenges and opportunities facing future generations

Setting priorities

The United Nations has said, "What Wales is doing today, we hope the world will do tomorrow – action more than words is the hope for our future generations".

The wide scope of the Act, covering almost every possible policy area, provides the opportunity to deliver the Wales we want. But without a clear focus on action, there is a risk people will continue to talk in vague terms about sustainable development and the changes needed will not be delivered.

To have a real impact that leads to real, long-lasting change, and to make the most of my limited resources, I set out a rigorous process of setting priority areas for action which engaged with over 1,300 people, representatives from public bodies and policy experts as well as specific groups such as homeless young people, migrant women and domestic abuse survivors. Working with the New Economics Foundation a set of criteria was developed to assess those areas which would make the biggest contribution towards the seven well-being goals and embed the ways of working in the Act with a particular focus on the long term.

Following this process, I have identified six areas that I will focus on which relate to two broad themes of:

Creating the right infrastructure for future generations within which the focus will be

- Housing
- Energy
- Transport

Equipping people for the future within which the focus will be

- Skills
- Adverse childhood Experiences (ACEs)
- New approaches to facilitating physical and mental well-being – often described as social prescribing

These are the areas that my Office will proactively pursue in terms of highlighting the issues and the potential solutions at national and local level and will be the way in which I will maximise my own contribution to the well-being goals. By definition these issues are amongst the most significant issues facing Wales but it is important to note that these areas must not limit the issues that public bodies will need to consider as part of their duties under this Act.

I built on my initial engagement to establish this approach and to develop a conversation to ensure as many people as possible have been part of the priority setting

process. We have used this as an opportunity to test out innovative and collaborative methods and develop our approach. This has included:

- Face to face sessions and workshops run by team members with a wide range of organisations and groups
- Working with the Wales Audit Office and the Cynefin Centre to develop a survey using the SenseMaker® application which gathered just under 1,000 responses from members of the public and people with an interest in achieving the well-being goals
- Four workshops across Wales with over 250 delegates
- Information gathered during the review of Well-being Assessments and issues identified
- Working with public bodies who helped share the conversation through their networks and communication channels
- Reviewing correspondence from members of the public
- Expert sounding board
- Survey of experts on the best opportunities for interventions

I am extremely grateful to everyone who took the time to respond and to the organisations who worked with us to reach beyond the usual audiences. More information about the process can be found [here](#)

Championing Future Generations and the Wales approach to Sustainable Development

I have set out why it is important to listen first and take time to get the longer-term approach right but during my first year I have been determined to identify opportunities to promote and champion the Sustainable Development principle and the five ways of working within it.

In my first year, I have therefore promoted Sustainable Development through:

Future Generations Framework

I have worked with the New Economics Foundation (NEF) to develop a **Future Generations Infrastructure Framework** to demonstrate how organisations can make better decisions using the five Ways of Working when planning and designing major infrastructure programmes. I am currently testing the framework with a range of stakeholders in order to assess its usefulness before rolling out further. Transport for Wales are using it in respect of the Metro system and the Swansea City Region Deal are using it in relation to proposed City Deal projects. I intend to review the framework following stakeholder feedback and will seek to publish a final version in the Autumn. Further work is planned to build on the framework through the development of a tool to assist public bodies in planning and designing non-infrastructure programmes and policies

Recommendation: Once this framework is finalised the Welsh Government should consider how the newly created Infrastructure Commission could use it to support their work

City Deals

The Cardiff Capital Region City Deal is a £1.2 billion programme over 20 years, affecting a population which is expected by then to be 1.8m across the 10 local authorities involved. As a 20-year programme, the City Deal offers an unusual and valuable opportunity for the authorities involved to work to a longer time frame, in particular in relation to budgeting. It is also an opportunity to show how applying the Act to a major public investment programme could deliver transformational change in well-being and address persistent challenges such as climate change, poverty, inequality, social cohesion, jobs and skills in a truly long-term and preventative way – using the Sustainable Development principle.

With both devolved bodies covered by the Act and the UK Government (who are not), there are some challenges in ensuring that the outcomes being sought are not purely focused on the measure of Gross domestic product. I have been clear that the public bodies covered by the Well-being of Future Generations Act must demonstrate that they are using it as a framework for decision making at strategic and individual investment levels. I have liaised with local authority leaders and chief executives and the Government leader as well as the Chair of the Growth and Competitiveness Commission to seek to ensure that any recommendations or decisions being made on the City Deal programme fully reflect the requirements of the Act and enables the City Deal to maximise contribution to the goals and improves the well-being of communities (read more [here](#)). I am pleased that the Swansea City Region Deal is currently using my Future Generations Infrastructure Framework to assess their proposed projects (see above). Moving forward I am working with a PHD student from Cardiff University to explore the potential impact on the Cardiff City Region City Deal on young people.

There is more work to be done as city deal programmes develop.

Recommendation: As city deals and other economic development programmes across Wales move forward the local authorities involved and the Welsh Government must themselves demonstrate how they are applying the Well-being of Future Generations Act, in particular reflecting the statutory definition of a prosperous Wales as well as making the case to the UK Government for this more progressive framework to be adopted.

M4 Relief Road

The Act requires public bodies to make decisions today that do not compromise the needs of Future Generations. I am concerned that proposals to build a new section of

M4 motorway around Newport did not consider the needs of Future Generations; large scale infrastructure projects such as this are significant given both the proposed level of expenditure and the need for proposals to maximise contribution to all well-being goals. I wrote to the Cabinet Secretary last Summer to outline initial concerns, and submitted evidence to the Public Inquiry earlier this year(read more [here](#)). Key points were:

1. Building a new road is not in the best interests of future generations
2. The decision-making process has not adequately taken into account the five ways of working (SD principle)
3. The proposed scheme does not adequately support the seven well-being goals
4. I believe there are alternative ways to spend £1bn that would have greater benefits for future generations.

The Act has been used extensively in evidence to the Inquiry and I have raised concerns directly with the Cabinet Secretary for Economy and Infrastructure. In order to ensure that any new assessments of transport schemes best meet the aim of the Future Generations Act my office is working directly with Transport Officials on the review of WeITAG guidance which is used to assess the need for and design of transport infrastructure programmes.

Recommendation: The Government should review the decision making on the M4 with a view to ensuring that future decisions on transport infrastructure are taken using the framework of the Well-being of Future Generations Act at the outset, rather than retrofitting when the decision has been taken.

The revised WeITAG guidance should fully integrate the duty to apply the Sustainable Development principle (the five Ways of Working: long term, prevention, collaboration integration and involvement) both in its design and content and the duty to maximise contribution towards the seven Well-being goals. We will continue to support officials with the development of this work.

South Wales Metro

I have worked directly with Transport for Wales on the process for developing the approach to procuring the new metro for South East Wales and wanted to ensure that the Goals and Ways of Working are embedded into the project from the beginning. I have provided advice and support to help them do this resulting in them reflecting how social, economic, environmental, cultural, ethical and innovation considerations can underpin the procurement process to encourage development of local jobs, skills, training and supply chain opportunities, involvement of local communities and promotion of culture, and positive action on environmental issues such as waste, air pollution and carbon emissions. This work is promising and I welcome the willingness of Transport for Wales to use the Act as a framework for procuring the new metro system.

Recommendation: The work so far is promising but must also be matched with a clear Government commitment to securing a zero-carbon metro system over time which must be built into the procurement requirements for the scheme.

Climate Change and Decarbonisation

Throughout my first year in office, I've been highlighting the fact that climate change is a key issue for Future Generations. The Welsh Government has a duty under the Environment (Wales) Act 2016 to develop carbon budgets for Wales which will set out how we achieve a reduction of at least 80% in our greenhouse gas emissions by 2050. My team are working with them to ensure they take a holistic approach rather than follow the most cost-effective pathways (as done for the UK carbon budget). I want to ensure that the policies and proposals are being developed using the five Ways of Working, to maximise contribution to social, environmental, economic and cultural well-being of Wales and will continue to monitor progress in this area. As the Government move towards the implementation of carbon budgets I have also asked the Cabinet Secretary for Finance and Local Government to challenge his Cabinet colleagues on the extent to which they have taken into account carbon emissions in their departmental spending plans.

Recommendation: In developing their approach to carbon budgeting the Government must demonstrate that their approach considers not just the mechanics of producing a carbon budget but also identifies ways in which the approach to decarbonisation maximises positive impacts across all the Well-being Goals. The Government must also demonstrate how their spending plans for next year's budget reflect these emerging commitments.

The ACE (Adverse Childhood Experience) Hub

Having identified ACEs as a potential priority area and a test bed for applying the Well-being of Future Generations Act to an emerging Welsh Government priority, I have worked with Public Health Wales and other partners through Cymru Well Wales to support the development of an ACE Hub which will provide support to PSBs and individual public bodies to prevent and mitigate adverse childhood experiences. The Hub, which was established in April 2017 will include a secondment from my team. Part of the Team which is funded by Public Health Wales and Welsh Government will be housed in my office in order to promote day to day engagement and joint working. Early work will focus on identifying best practice for tackling ACEs which will feed into the advice and support I provide to PSBs as part of their well-being planning.

Support for Public Bodies and Public Services Boards

The first 14 months has been about building relationships and working with public bodies and the new Public Services Boards to support them as they begin implementing the Act.

I am grateful for the way they have worked with me and my team.

The challenge of providing advice and support in terms of the culture change required by the Act as well as across all areas covered by the Well-being Goals, with a small team and a budget of less than £1.5million is not to be underestimated. It is therefore vital that other bodies' programmes and funding streams, particularly those funded by the government which are designed to support leadership development and innovation in the public sector are assisting in supporting this cultural change programme.

Recommendation: All Government funded programmes which focus on providing leadership development for public sector should be explicitly required to have support for implementation of the Act as a core part of their remit or programme criteria.

Review of Public Services Board Well-being Assessments

I took an early decision to provide individual feedback to each Public Services Board. I commissioned a review of all PSB well-being assessments designed to identify areas in which PSBs were making good progress in applying the Ways of Working in the Act and areas where there are challenges and they may require additional support. The knowledge gathered and the learning from developing the first wave of Well-being Assessments has been an important first step in the life of the Act and has also informed the development of my Priorities. With input from other bodies such as the other Commissioners, Sport Wales, the Sustainable Development Alliance and Natural Resources Wales I will shortly be producing an overview report which highlights the challenges faced and the aim of the report is to provide insight and share learning to build on the work so far.

Key findings from this work have identified:

Public Services Boards have taken an important first step in the right direction. They are to be congratulated for the positive approach taken to completing the assessments. PSBs are one of the biggest opportunities for the public sector in Wales to help deliver services that will make people's lives better and benefit future generations. The review of the assessments highlights the challenges faced and the aim of the report is to provide insight and share learning to build on the work so far.

Active leadership will continue to be important. There is a need for a clearer demonstration of the willingness to do things differently, to continue to breakdown silos and shift focus from the short to the longer-term. PSB members must make sure these assessments are viewed as an opportunity to develop and embed intelligence-led problem-solving on an on-going basis rather than something that is done once every five years.

More work is needed to build a better understanding of people's lives. The assessments showed clear efforts had been made to work with the public but more needs to be done

to move away from traditional consultation towards an on-going conversation about the future, to draw on the information held by partner organisations and day-to-day intelligence gathered by services working at the heart of communities.

The assessments highlight a number of alarming trends. These include childhood obesity, health inequalities, climate change and persistent inter-generational poverty. PSBs need equipping with the skills, resources and expertise to better understand future trends, the needs of future generations and how to respond to these. PSBs, the Commissioner and Welsh Government must work together to meet this challenge.

We need to dig deeper into data. The assessments should not just be a collection of data, they should be an opportunity to make connections between key issues and ask 'so what' as a result of the data we have. The understanding and skills to do this across organisations is limited and needs to be further developed.

Issues are often still being tackled in isolation. PSBs need to demonstrate a broader understanding of well-being - rooted in all seven Well-being Goals and recognising the connections between issues. PSBs need to show how they are identifying and exploring tensions between different issues and priorities to enable an honest discussion about new approaches that need to be taken and collaborate to do things differently.

This information together with the ongoing dialogue we are having has allowed me to develop a good understanding of their needs and will help me decide where support and challenge to business as usual can have most impact. Needs identified include:

- Understanding how to use the five Ways of Working to maximise their contribution to the Well-being Goals'
- Overcoming system barriers such as conflicting performance frameworks, funding streams and approaches to audit that inhibit their ability to do this
- Recognising how the Act can assist in making sense of the other statutory responsibilities and duties on public bodies, for example through my work with the Children's Commissioner (see below)
- Connecting people and bodies with knowledge and support to help experiment, constructively challenge and disrupt traditional approaches whilst identifying innovative solutions
- Support in developing their confidence in applying new ideas and approaches

This work has led to a commitment within my seven-year plan to develop a Fit for Future Generations approach, focused on providing targeted support and guidance to help public bodies take greater account of the impact our actions today have for future generations.

Working with others to drive the changes needed

Working with the Auditor General for Wales (AGW) and Wales Audit Office (WAO)

Both the Auditor General and I recognised at an early stage that we would increase the positive impact of our statutory duties by working together to providing a consistent approach to public bodies and Public Services Boards in setting out expectations. We made an early commitment to do this, providing joint-messaging around expectations and staging the "Shaping the Accountability" event at which we set out the need for a transformational not tick box approach.

I have provided advice and support to AGW's planned approach to gathering a commentary from public bodies on their first year of setting Well-being objectives and input into the planned pilot methods and areas for audit during 2017-18.

I am grateful to the WAO's Good Practice Exchange team for working with us on shared learning events and to support our approach to innovative involvement as I set my priorities through which I will focus my support and advice for public bodies.

I have also collaborated with WAO, Welsh Local Government Associations (WLGA), the Welsh Government and NHS Confederation in writing to local authorities and, on a separate occasion, to NHS Trusts and local health boards to clarify the statutory duties of the Act and timescales attached to setting individual well-being objectives for their public body.

Working with elected representatives

Alongside meetings directly with AMs and Councillors I have worked with the WLGA and Sustainable Development Co-ordinators' Cymru network, to provide advice on the induction material for newly-elected members in the local government elections of May 2017. I am also providing support and information to WLGA for the regional events aimed at elected members in Autumn 2017. This is with the intention of giving all locally elected members an understanding of their role and supporting them to implement the Act. I have written to all Assembly Members with an invitation to meet. My team and I have delivered training and briefing sessions at the Senedd. I have also given evidence before the National Assembly for Wales' Equality, Local Government and Communities Committee and to the Finance Committee.

Embedding Children's Rights for Future Generations Working with the Children's Commissioner for Wales through a jointly funded member of staff we have developed a framework which will help public bodies think about how they embed rights and sustainable development in their work to make best use of the United Nations Convention on the Rights of the Child and the Well-being of Future Generations Act. The framework will be piloted shortly.

Correspondence

Members of the public write to me about a wide range of issues and my approach has been to provide advice and guidance on the application of the Act. Whilst I do not have a case-work function under the Act I see this as another opportunity to promote the Sustainable Development principle and empower people to use the Act to be more involved and contribute to the improvement of local decision-making.

Most importantly, I regularly monitor and review correspondence received to identify any system wide issues on which I can provide challenge, support and advice to public bodies.

Much of the correspondence I received during 2016-17 related to planning. I have met with senior officials in Welsh Government and the Planning Inspectorate for Wales as well as addressed local authorities' officers and planning professionals to ensure the Act is best implemented and to highlight the issues and challenges reported to me. I will continue to monitor correspondence and issues highlighted elsewhere in considering whether further interventions are needed in this area.

Walking the talk - the approach to setting up my Office

Applying sustainable development principles to office set up - I was offered a shared space with the Welsh Language Commissioner. Collaborating in this way allows for a good use of public money with the added benefit of being able to work in close proximity to another Commissioner. The space needed to be refurbished and allowing for the limitations of the existing infrastructure, my aim was to keep costs to a minimum and where possible build in energy efficiency into the redesign. Therefore, fixtures and fittings and furniture were upcycled from Welsh Government stores and existing partitions were repurposed and repositioned; thermostatically-controlled valves were put on all the radiators, energy-saving light bulbs are used, and movement-sensitive lighting installed in some areas within the office environment. By taking this approach I was able to reduce the set-up spend on these areas significantly.

Reflecting the lived experiences of people - I am committed to identifying ways in which my work can take account to reflect the lived experiences of people. I have developed lunch and learn sessions for staff where individuals or representatives of organisations share their experiences with the whole team once a month. Contributors so far have included: feedback on the 2016 Sustainable Development conference; healthcare from patients' perspective; how the Act has helped the Welsh Government Smart Innovation initiative streamline EU grant applications; an insight into the lives of refugees and asylum seekers in Cardiff; an insight into the life of some who experienced the long term effects of adverse childhood experiences and equipping the public sector to deal with electric cars and procurement challenges.

Sustainability in practice

On a day to day basis we have put in place a range of things to minimise our impact on the environment.

I am a Real Living Wage accredited employer.

Paper management – we operate a cloud-based system and a paperless record management system. These allow a wide range of information to be accessed without the need for paper distribution systems.

Procurement - all our suppliers are required to use environmentally-friendly products and this was stipulated as an essential condition in our office cleaning contract. Environmentally sound paper products such as recycled paper and envelopes and fair trade consumables are used in the office.

Waste Disposal – we recycle our paper, cardboard, plastics and our food waste.

I ask my team to consider the 'greenest', most cost-effective and the most efficient means of carrying out our business. For example, using public transport and car sharing when travelling on official business and avoiding unnecessary travel. Having established IT infrastructure which supports agile working and having acquired recycled videoconferencing equipment remote working has become a regular feature of how we work contributing to fewer carbon emissions from traveling and a better work life balance for staff.

Resourcing my work

Partnership working and collaboration has been the starting point for all my resourcing decisions. In line with the principles of collaboration, integration and involvement in the Act, I believe that the broad range of powers and duties conferred on me are best met by working with others where we can draw on knowledge, broader resources of other organisations who share our aims. I have taken a prudent approach to set up costs and in many cases have been able to reduce the back-office costs originally allocated by taking innovative resourcing decisions for sharing back office costs and posts as well as frontline posts with other bodies. For example:

- Securing free office accommodation within Bangor University for the North Wales office base
- Payroll undertaken by the Public Services Ombudsman
- Shared HR function with the Children's Commissioner
- Shared Finance function with the Children's Commissioner
- Shared policy staff with Fair Trade Wales, Wales Probation, Mid and West Wales Fire and Rescue, Public Health Wales (ACE Hub), South Wales Police, Children's Commissioner
- Secondments from RCT Council, Welsh Government, Renewables UK
- Work placements and partnerships with a PHD Student from Cardiff University, University of South Wales, Constructing Excellence Wales

In addition to this I offer collaborative working space for other organisations which facilitates joint working with my team. These include: Constructing Excellence Wales; the ACE Hub, Wales Audit Office Good Practice Exchange team, and University of Cardiff PHD Students.

I intend to continue and enhance this partnership approach in 2017-18 by investing in a programme working with a range of private sector third sector and public sector partners which will explore and explain the definitions of each of the seven Well-being Goals and provide practical advice and guidance to public bodies on the steps they can take to maximise their contribution to them.

What we will do in the next 12 months

Continuing my early work

As well as developing work in respect of the new priority areas, I will build on the work started in my first year. In particular, I will continue to work on

- Supporting Transport for Wales on the procurement of the South Wales metro
- the review of the WelTAG guidance
- consideration of further interventions on the M4
- Guidance for public bodies in tackling adverse childhood experiences, working with the ACE hub
- Further development of the Future Generations Infrastructure Framework

Highlight the big issues, challenges and opportunities facing future generations

The work I have undertaken on setting priorities was finalised in mid July. This has already drawn on the views of a wide range of key stakeholders and academic experts. This year I will expand these networks with a focus on the final priority areas and will put in place mechanisms for securing input from people who have lived experience of the issues identified through the piloting of a people's placement in my team.

Having set my priority areas for action (referenced above), I will demonstrate how the Act can be used as a framework for change and will develop a network of experts and series of future focused briefings to guide and support public bodies on actions needed.

I will gather information and evidence on how well public bodies are meeting their well-being objectives to prepare the way for the first Future Generations report in 2020. This report will set out how public bodies can improve the way they think and plan for the future.

Support and challenge public bodies to think about the long-term impact of the things they do

Well-being in Wales: planning today for a better tomorrow:

I will provide support and challenge to Public Services Boards (PSBs) as they set their well-being objectives, plan the steps they will take to meet these objectives and put together their well-being plans to be published by May 2018. I will publish a detailed report of the findings of the review and host an innovative event to help PSBs learn from each other. The learning from the review will also be used to help to develop wider support and advice.

Fit for Future Generations:

I will work with public bodies over the next seven years to develop support that encourages their work to be 'Fit for Future Generations', taking better account of longer term impact of their decisions and supporting them to meet their statutory duties to maximise their contribution to the seven Well-being Goals. I will do this through three key pieces of work

1. **The Art of the Possible** - Develop and deliver a programme of collaborative work that draws on the collective intelligence of people and organisations across Wales to explain and explore the practical implications, for the public service in Wales, of using the five ways of working to maximise its contribution to each of the well-being goals. This will be a significant piece of work which will lay the foundations for public bodies' interpretation of and action on the wellbeing goals.
2. **Live Labs** - Drawing on expertise from a range of stakeholders, develop and test methods to equip public bodies to 'walk through' an area or issue to build a vision for the future and apply the five Ways of Working in the Act. We will continue our work on procurement and decarbonisation, and will develop a three-year programme for Live Labs based on the emerging priority areas.
3. **Cloud of Innovators** - connecting public bodies to each other and to experts and academic institutions through organisational development, change management and transformation programmes. We are developing a network of 'innovators' to connect future generations champions and innovators in their field, equipped and willing to advise and assist public bodies on using the five Ways of Working to challenge business as usual.

Work with others to drive the changes needed

In addition to plans for collaborative-working as outlined above, I will use my priority areas for action to work with the people and organisations best placed to drive the

changes needed. We will start to build insight into each of these priorities and develop case studies around how the act can be used as a framework for transformational change.

Work with the Auditor General for Wales I will continue to work with the Auditor General for Wales and Wales Audit Office (WAO), as we ensure audit is used to support better outcomes. We will work together to ensure the key processes set out within the Act are implemented but recognise that a pure compliance approach will fail to result in the transformational change required. My team is supporting the people planning and delivering the pilot work for audit during 2017-18, which is testing possible methods of auditing public bodies under the Act. We have also advised colleagues in WAO on the method and messaging around the first year commentary the AGW is gathering from public bodies on setting and taking steps towards their individual well-being objectives.

My team will continue to work with the Good Practice Exchange team to share learning and innovation across Wales.

Embedding Children's Rights for Future Generations

I will continue to work with the Children's Commissioner for Wales and public bodies to roll out the guide to implementing Children's Rights using Sustainable Development principle.

Walk the talk – be the change we want to see in others

I will build on the work started in 2016-17 by:

Developing Organisational Culture in line with the five Ways of Working – In April 2017 I took stock of how well we were walking the talk and embedding the five ways of working into our working practices. This has given me and the team an action plan for to build on as we move into year two of operations. In May 2017, I held a whole team session to look at our well-being policies and how we could shape them to maximize both a positive experience of working for me and make a contribution to the seven well-being goals. This has produced some exciting ideas which focus on the wellbeing of staff and opportunities to maximise our contribution to the wellbeing goals. I will be seeking to implement proposals in relation to this piece of work in 2017-18 and beyond.

Review of our procurement practices-We will draw on the knowledge within the team to build on existing work in applying the Act to consider ways in which our operations can be more sustainable.

Extending our partnership and collaborative working arrangements even further-
In 2017 we expect to add new partners to our existing list from public, third and private sectors in Wales.

Sophie Howe
Future Generations Commissioner for Wales
17th July 2017

Accountability Report

Statement of Accounts

Format of the Accounts

These financial statements have been prepared in accordance with Paragraph 20 Schedule 2 of the Well-being of Future Generations (Wales) Act 2015 and any Accounts Direction issued by Welsh Ministers.

The office of Future Generations Commissioner for Wales came into existence on 1 February 2016 with the appointment of Sophie Howe as the first Commissioner. These accounts therefore cover the period from 1st February 2016 to 31st March 2017 and there are no comparative figures. The accounts reflect the assets, liabilities and resource outturn of the Future Generations' Commissioner. These financial statements have been prepared in accordance with the Government's Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Accounting Standards (IFRS) as adopted or interpreted for the public-sector context.

Funding

The Future Generations Commissioner for Wales is independent of, but funded by the Welsh Government. In the first period of account to 31 March 2017, the Commissioner received £1.5 million to fund the Commissioner's activities. This included £30,000 by way of initial set up costs covering the period 1 February 2016 to 31 March 2017.

Results for the period

The Statement of Comprehensive Net Expenditure shows expenditure, for the period, of £1,102 million. The general fund balance as at the year-end is £454,000 and will be used to cover continued set up costs for my Office which are expected to be completed in 2017-18. Actual staff costs are lower than estimated in my budget for 2016-17 due to the length of the time it took to recruit staff on the Office coming into being. Moving into 2017-18 current underspend is allocated to resourcing an 18-month piece of work which will set out guidance for public bodies on implementing each of the well-being goals (see above)

A reasonable level of reserves is also retained to exercise the statutory functions within the Act and to allow for any unplanned, urgent and important matters brought to the

Commissioner's attention. Such additional costs are likely to be associated with legal proceedings and additional staff resources.

During the period the Commissioner's staff consisted of 17.84 whole time equivalent members of staff, which includes full time and part time employees and those on secondment from other organisations.

Equal Opportunities

As an organisation we collect workforce statistics in relation to all the protected characteristics detailed in the Equality Act 2010. These statistics will then be used to contribute to the development of positive actions in relation to equality each year.

Not all of these statistics are published due to the small size of our workforce and subsequent difficulty in maintaining our obligations to protect the anonymity of sensitive data.

Workforce Gender Statistics

HEADCOUNT ON 31ST MARCH 2017 BY GENDER AND COMPARISON AGAINST CENSUS POPULATION DATA 2014: WALES (3,092,000)

GENDER	FGCW		WALES		% DIFFERENCE AGAINST POPULATION
	Total No.	%	No.	%	
Male	6 (of which 2 are paid secondees and 3 are unpaid)	23	1,500,000	49	-26
Female	20 (of which 4 are secondees and 2 are unpaid)	77	1,560,000	51	26

Workforce Age Statistics

HEADCOUNT BY AGE ON 31st MARCH 2017

16-24	25-34	35-44	45-54	55-64	65 & Over	Undisclosed
2	2	8	7	1	1	5

Workforce Leavers Statistics

Apart from the Commissioner, all members of the team were new in post between 1st April 2016 and 31st March 2017. There have been 3 leavers in this period: 2 unpaid secondees and 1 part time paid secondee.

Workforce Gender and Pay Statistics

HEADCOUNT BY GENDER, PAY-BAND, CONTRACT TYPE, WORKING PATTERN ON 31ST MARCH 2017:

Pay level (or equivalent for secondees)	F/T male perm	F/T male temp	P/T male perm	P/T male temp	F/T female perm	F/T female temp	P/T female perm	P/T female temp	Totals
Grade 1 £17 - 21k pa						1			1
Grade 2 £23 – 27k pa					3				3
Grade 3 £30 – 35k pa				1		2	1		4
Grade 4 £38 – 43k pa				1	2	3		2	8
Grade 5 £49 – 53k pa									0
Grade 6 £58 - £62 pa	1				1		2		4
Commissioner £90 - 95k pa					1				1
Non remunerated secondee		3				2			5
Total	1	3		2	7	8	3	2	26

Workforce Pregnancy, Adoption and Maternity Statistics

PREGNANCY ADOPTION MATERNITY BETWEEN APRIL 2016 AND MARCH 2017	
Number of pregnant employees in 2016 -2017	0
Number of employees taking Adoption and/or Maternity Leave in 2016 - 2017	1

Workforce Training and Development Statistics

The reporting of employees who engaged in externally delivered training by gender, pay band, contract type and working pattern is deferred to the next financial year.

All applications for employment with the Future Generations Commissioner for Wales are considered on the grounds that all should have equal opportunity for employment and advancement on the basis of their ability, qualifications and suitability for the work. I employed higher than the Welsh census national rates of Asian and mixed multiple ethnic groups and am actively exploring ways in which I can provide broader opportunities to under represented groups and work on this will be developed in the coming year.

Staff Consultation and Engagement

The Commissioner regularly consults with her team on organisational development and strategic priorities. In year one the Commissioner has experimented with a range of consultation and engagement mechanisms including monthly whole team meetings, weekly ten minute briefings, specific sessions on organisational culture as well as using an all staff online chat facilities.

Staff Absences

During the period of account, the sickness absence rate within the Commissioner's office was 0.6 percent, based as a percentage of the total available working days.

Complaints

No formal complaints were received during the period.

Disclosure of Information to the Auditors

So far as the Commissioner is aware, there is no audit information of which the auditors are unaware of and her Office has taken all the steps that it ought to have taken to

make itself aware of any relevant audit information and to establish that the auditors are aware of that information.

During the period no remuneration was paid to the auditors for non-audit work.

Events since the End of the Financial Year

There have been no events since the end of the financial year that affect the understanding of these financial statements.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Schedule 2 of the Well-being of Future Generations (Wales) Act 2015, Welsh Ministers have directed the Future Generations Commissioner for Wales to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Future Generations Commissioner for Wales and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Welsh Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Commissioner is the Accounting Officer for her office by virtue of paragraph 18 of Schedule 2 to the Well-being of Future Generations (Wales) Act 2015. The responsibilities of the Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Future Generations Commissioner for Wales' assets, are set out in an Accounting Officers' Memorandum issued by HM Treasury.

Sophie Howe
Future Generations Commissioner for Wales
17th July 2017

ANNUAL GOVERNANCE STATEMENT

Purpose

As Accounting Officer, I have responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of my policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible.

This Governance Statement follows HM Treasury Guidance. It sets out the governance structures for my office, and the internal control and risk management procedures that have been developed since I took up the office of Future Generations Commissioner for Wales on 1 February, 2016, and up to the date of approval of the Annual Report and Accounts.

The systems in place as outlined in this statement are designed to manage risk to an acceptable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. Given the ground-breaking nature of the work of my office, I concluded that it is necessary to adopt a “hungry” risk appetite for much of my outward facing work as a more traditional minimalist or cautious approach would, in my view, not succeed in bringing about the beneficial change that my office was set up to achieve. This is explained further below.

Nature of my office and accountability

The Well-being of Future Generations (Wales) Act 2015 established the office of Future Generations Commissioner for Wales as a corporation sole. This means that all the functions (powers and duties) are vested in the office holder and there is no traditional “board” that is corporately responsible for the performance and governance of the organisation. I am independent of Ministers and, subject to the 2015 Act, responsible for setting the strategic direction of my office. I am accountable to the National Assembly for Wales for the actions of my office, and to its Public Accounts Committee in particular for matters such as the arrangements for governance, financial management and internal control.

Advisory panel

The 2015 Act established a panel to provide me with advice on the exercise of my functions. The members of the advisory panel are— (a) the Children’s Commissioner for Wales; (b) the Welsh Language Commissioner; (c) the Commissioner for Older People in Wales; (d) the member of staff of the Welsh Government designated by the Welsh Ministers as the Chief Medical Officer for Wales; (e) the chairperson of the Natural Resources Body for Wales or another non-executive member of that body selected by the chairperson; (f) an officer of the body representing trade unions in Wales known as Wales TUC Cymru nominated by that body; (g) the chairperson, director or similar officer as the Welsh Ministers may appoint of a body representing persons carrying on business in Wales; (h) such other person as the Welsh Ministers may appoint. It has met on two occasions in 2016-17 initially to discuss scope and remit of advice and to set frequency of contact and meetings, and secondly to consider the draft strategic plan and proposed policy priority areas for my term of office.

Audit and Risk Assurance Committee

I have appointed an Audit and Risk Assurance Committee to provide constructive advice and challenge on matters of governance, financial management and audit, and the arrangements for internal control – including risk identification and management. The Committee comprises:

- Alan Morris, retired Auditor and committed sustainable development champion who chairs the Committee;
- Jocelyn Davies, former Plaid Cymru AM and former member of PAC and chair of Assembly's Finance Committee, member of Advisory Panel to Children's Commissioner and trustee of Care & Repair Cymru;
- John Dwight, retired Auditor, trustee and honorary treasurer for George Thomas Hospice Care and branch secretary for CIPFA in Wales;
- Gareth Madge, former Chief Officer and Chief Legal Adviser with South Wales Police, member of the Board of Directors of ACPO, Chair of Association of Police Lawyers; and
- Jonathan Morgan, former conservative AM and chair of PAC and Assembly's Health, Well-being and local government committee and currently Director of Practice Solutions.

All are independent and do not work for the Commissioner. The Committee first met on 24 January 2017 for an induction session and has had one further meeting on 28 March

2017. All members attended both meetings. It will normally meet four to five times a year in future.

Senior management team

The SMT and I meet fortnightly to discuss progress, operational and strategic issues. SMT members are responsible and accountable to me for executing the approved operational plans for their teams. I take key decisions after discussion with SMT members. I have also given authority to certain staff to authorise financial transactions.

Development of governance framework

The early part of the first accounting period ended 31 March 2017 was taken up by appointing staff, securing accommodation and engaging with public bodies and other stakeholders to help me decide how best to focus the work of my Office to support public bodies as they make the changes required by the Act. The office accommodation secured by the Welsh Government prior to my appointment needed refurbishment and was not available for occupation until the end of November 2016. This protracted delay with my team working in temporary accommodation delayed the set-up of structures and systems and the appointment of the full complement of staff. However, by the end of December 2016, I had put the following key elements of my governance framework in place:

- Agreement of initial office policies and procedures for HR and finance including whistleblowing, and declarations of interest.
- Appointment of internal auditors
- Appointment of the Audit and Risk Assurance Committee

I have also drafted and consulted on a strategic plan for my period of office. That plan sets out what I hope to deliver by way of beneficial change for the people of Wales and how I intend to go about doing it in collaboration with other public bodies in Wales. It is an ambitious document that will require public bodies to challenge the ways in which they work and adapt long-standing practices to achieve what was envisaged by the Welsh Government when it decided to bring forward what is now the 2015 Act. This plan is dynamic and will be adapted as necessary in response to changing circumstances.

The operational plans or work programmes for each area of work have followed on from the development of my strategic plan and provide more detail on the nature and timing of individual tasks needed to deliver the strategic plan. These are largely complete but again will be adapted as necessary to respond to changing circumstances.

Approach to risk management

My approach to risk management followed on from the development of the strategic plan. My risk management policy, which has been endorsed by the Audit and Risk Assurance Committee makes it clear that I want to create and maintain an environment that will allow the effective management of risk to flourish. This will include ensuring that staff are kept fully in the loop about our plans and the approach that I and the SMT will take to managing the associated risks.

The policy makes it clear that I am not averse to taking risks. On the contrary, to achieve the objectives in my strategic plan and deliver what is expected will often necessitate an open or hungry risk approach which is not the norm for most other public bodies. I have concluded that adopting such an approach for my outward facing work with other public bodies is the only realistic way of securing the change needed across the Welsh public sector. To do otherwise might well mean failing to capitalise on opportunities when they occur and will run a high risk of failure to achieve the challenging objectives that I have set in the strategic plan and what is expected of me by my stakeholders. Similarly, I have decided that my organisation needs to 'walk the talk' of the Act and be open and innovative and try new approaches to the way we work. However, such risks will not be taken recklessly but managed appropriately and carefully with the aim of maximising successful delivery.

I have taken a more traditional and cautious approach to my internal processes concerned with financial management, compliance with laws and regulations and security of information.

My first strategic risk register identified 7 strategic risks relating to my statutory duties and the role my organisation will play in helping public bodies deliver the aims of the act. Actions to address these risks will be embedded within my operations.

Internal audit

The work of internal audit is one of the key assurances that I require as Accounting Officer. I have appointed Deloitte to act as my internal auditors and they have produced the following reports during the year:

- Corporate Governance and Risk Management
- Financial Systems

Deloitte's Annual Report for 2016-17 did not provide an overall opinion for the whole accounting period as much of the governance and risk management framework was only put in place towards the end of 2016. However, Deloitte were able to conclude that 'Based on the work undertaken during the year the Commissioner has a basically sound system of internal control, which should provide moderate assurance regarding the achievement of the Commissioner's objectives'.

Information Assurance

I have a Freedom of Information and data protection policy in place. Access to Data is confined to those with appropriate authority. There have been no data breaches during the year.

Summary of effectiveness

From the assurances provided by my SMT, my knowledge of the work of my office, and the reports provided by internal and external audit, I am able to report that the system of internal control in place at the end of the year did not contain any significant weaknesses. I am not able to provide an assurance that these arrangements were in place for the whole of the period as much of it was taken up with securing accommodation, appointing staff, planning my work and putting governance and risk management arrangements in place.

For 2017-18, I will be strengthening the governance and internal control arrangements still further by:

- Ensuring that the governance and risk management arrangements are fully embedded into the day to day working practices of my office and operating effectively through further development of my operational plan and addressing the strategic risks identified in my risk register.

- Further embedding the 5 ways of working into my work and that of my Office.

Reviewing my staff structure to ensure I have the most efficient and effective staffing arrangements to deliver the wide range of functions.

Sophie Howe

Future Generations Commissioner for Wales

17th July 2017

Remuneration Report

Remuneration of Senior Members of the Senior Management Team

The Future Generations Commissioner for Wales was appointed on 1st February 2016 and other senior members of staff were appointed between June and September 2016.

The Welsh Ministers determine the remuneration of the Future Generations Commissioner for Wales in accordance with Schedule 2 paragraph 5 to the Well-being of Future Generations (Wales) Act 2015.

For other members of the Senior Management Team, remuneration was determined by the Future Generations Commissioner for Wales based on guidance from civil service recruitment specialists.

Remuneration of Audit and Risk Assurance Committee Members

The Commissioner's Audit and Risk Assurance Committee comprises five independent members, appointed by the Commissioner. Members receive a daily allowance of £250 and the Chair receives a daily allowance of £300. In 2016-17 the following payments were made:

	1.2.16 to 31.3.17 (£)
Alan Morris (Chair)	600
Jonathan Morgan	500
John Dwight	500
Gareth Madge	500
Jocelyn Davies	500
Total	2,600

The following sections, which have been subjected to audit, provide details of the remuneration and pension benefits of the most senior officials within the Commissioner's office:

	Salary £000	Benefits in Kind (to nearest £100)	Pension Benefits (to nearest £1000)	Total £000
	1.2.16 to 31 3.17	1.2.16 to 31.3.17	1.2.16 to 31.3.17	1.2.16 to 31.3 17
Sophie Howe – Future Generations Commissioner for Wales, from 1st February 2016.	100-105	-	35	135-140
Helen Verity – Director of Finance and Governance, from 6th June 2016.	30-35	-	14	45-50
Kate Carr – Director of Engagement, Partnerships and Communications, from 19th July 2016.	40-45	-	16	55-60
Marie Brousseau-Navarro - Director of Policy, Legislation and Innovation, from 12th September 2016.	20-25	-	10	30-35
Mike Palmer – Director of Policy Performance and Implementation, from 11th July 2016.	50-55	-	13	60-65

Whole Time Equivalent Remuneration

The Whole Time Equivalent remuneration of my senior management team for the period 1st April 2016 to 31st March 2017 was as follows:

	Whole Time Equivalent Remuneration 2016-17 (£000)
Sophie Howe – Future Generations Commissioner for Wales.	90-95
Helen Verity – Director of Finance and Governance.	45-50
Kate Carr – Director of Engagement, Partnerships and Communications.	55-60
Marie Brousseau-Navarro - Director of Policy, Legislation and Innovation.	45-50
Mike Palmer – Director of Policy Performance and Implementation.	65-70

Median Remuneration

Band of highest paid individual's remuneration (£000)	90-95
Median total (£)	43,050
Ratio	1:2.15

I am required to disclose the relationship between the remuneration of the highest-paid individual and the median remuneration of employees. The banded remuneration of the highest-paid individual in 2016-17 was £90,000-95,000. This was 2.15 times the median remuneration of employees. Total remuneration includes salary and benefits-in-kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Pension Benefits – Civil Service Pension Scheme

	Total Accrued Pension £000	Real increase in pension £000	CETV at 31.3.16 £000	CETV(i) at 31.3.17 £000	Real increase/(dec rease) in CETV £000
Sophie Howe – Future Generations Commissioner for Wales, from 1 st February 2016.	0-5	0 – 2.5	3	20	10
Helen Verity – Director of Finance and Governance, from 6 th June 2016.	0-5	0 – 2.5	0	8	7
Kate Carr – Director of Engagement, Partnerships and Communications, from 19 th July 2016.	0-5	0 – 2.5	0	9	6
Marie Brousseau-Navarro - Director of Policy, Legislation and Innovation, from 12 th September 2016.	0-5	0 – 2.5	0	5	4
Mike Palmer – Director of Policy Performance and Implementation, from 11 th July 2016.	35-40	0 - 2.5	683	694	12

Pension Scheme

Pension benefits are provided through the Civil Service pension arrangements. From 30th July 2007, civil servants may be in one of four defined benefit schemes; either a ‘final salary’ scheme (**classic**, **premium** or **classic plus**); or a ‘whole career’ scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year; and although these are defined benefit schemes it is not possible to disclose the amount of assets and liabilities of the schemes.

Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Consumer Prices Index (CPI). Members joining from

October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at a percent of pensionable earnings for **classic**, **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits in respect of service before 1st October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31st March) the member's earned pension account is credited with 2.3 percent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 percent and 12.5 percent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 percent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 percent of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

(i) Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarial assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's

pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme arrangement which the individual has transferred to the Principal Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

(ii) Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include any of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme arrangement) and uses common market valuation factors for the start and end of the period.

Changes to the Civil Service Pension Scheme

From 1st April 2015 a new pension scheme, called Alpha, came into effect. The Alpha scheme replaces the **classic, premium, classic-plus** and **nuvos** schemes. The majority of staff were entered directly into Alpha scheme on joining.

Staff Numbers and Related Costs

a. For the year staff costs consist of:

	1.2.16 to 31.3.17 £000		
	Permanently Employed Staff	Other	Total
Wages and Salaries	337	-	337
Social Security Costs	156	-	156
Pension Costs	131	-	131
Sub Total	624	-	624
Inward secondments and agency staff	185	-	185
Less recoveries in respect of outward secondments	-	-	-
Total Net Costs	809	-	809

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the participating organisations are not able to identify their share of the underlying assets and liabilities. The scheme was last actuarially valued as at 31 March 2007 but since this date, actuarial valuations of the Scheme were suspended pending the implementation of the Hutton Review recommendations. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation – www.civilservice-pensions.gov.uk.

For the period of account, employer's contributions of £97,469 were payable to the PCSPS at one of four rates in the range 16.7 percent to 24.3 percent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £1,024 were paid to one or more of a panel of appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 percent of pensionable pay. Employers also match employee contributions up to 3 percent of pensionable pay. Contributions of £nil were due to the partnership pension providers at 31st March 2017. All these contributions are included in Pension costs in Note 2a above.

- b. The average number of whole-time equivalent persons employed (including senior management) for the period was as follows:

	1.2.16 to 31.3.17 £000		
	Permanently Employed Staff	Other	Total
Directly Employed	13.55	-	13.55
Total	13.55	-	13.55

- c. The average number of whole time equivalent staff for the year includes secondees from other organisations. The organisation, area of work and WTE are:

Organisation	Area of work	WTE
Children’s Commissioner for Wales	Business Support/Policy	0.63
Renewable Cymru	Policy	0.86
Rhondda Cynon Taf County Borough Council	Policy	0.18
South Wales Police	Policy	0.86
Welsh Government	Business Support/Policy	1.71
Total		4.24

Reporting of Civil Service and Other Compensation Schemes – Exit Packages

During the period there was no compensation paid to any member of staff.

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Commissioner has agreed early retirements, the additional costs are met by

the Commissioner and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and not included in the table.

The full costs of departure are charged to the Statement of Comprehensive Net Expenditure in the year that the decision is made. Amounts payable in future years are credited to a provision which is utilised when the payments are made.

Sophie Howe
Future Generations Commissioner for Wales
17th July 2017

The Certificate of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of the Future Generations Commissioner for Wales for the period 1 February 2016 to 31 March 2017 under paragraph 21 (2) of schedule 2 to the Well-being of Future Generations (Wales) Act 2015. These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, the Statement of Cash Flows, Statement of Changes in Taxpayers Equity and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements, in accordance with the Well-being of Future Generations (Wales) Act 2015 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit, certify and report on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Future Generations Commissioner for Wales' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Future Generations Commissioner for Wales and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If

I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Future Generations Commissioner for Wales' affairs as at 31 March 2017 and of its net expenditure, for the period 1 February 2016 to 31 March 2017; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Well-being of Future Generations (Wales) Act 2015.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Welsh Ministers' directions issued under the Well-being of Future Generations (Wales) Act 2015; and
- the information in the Annual Report and Accounts is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Annual Governance Statement does not reflect compliance with Welsh Ministers' guidance;
- proper accounting records have not been kept;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
18th July 2017

24 Cathedral Road
Cardiff CF11 9LJ

Financial Statements

Statement of Comprehensive Net Expenditure for the period 1 February 2016 to 31 March 2017		
		1.2.16 to 31.3.17
Expenditure	Note	£000
Administration costs:		
Staff Costs	Remuneration Report	809
Depreciation	2	6
Other Administration Costs	2	287
		1,102
Income		
Income from Activities		-
Other Income		-
Net Expenditure		1,102
Interest payable/receivable		-
Net Expenditure after interest		1,102

Other Comprehensive Expenditure		
		2016-17
	Note	£000
Net gain/(loss) on revaluation of Plant and Equipment		-
Total Comprehensive Expenditure for the year period		1,102

All income and expenditure is derived from continuing operations. There are no gains or losses other than those reported in the Statement of Comprehensive Net Expenditure.

The Commissioner receives funding from the Welsh Government.

The notes on pages 46 to 53 form part of these accounts

Statement of Financial Position as at 31 March 2017				
		2017		
	Note	£000		£000
Non-current assets:				
Property, plant and equipment	4			11
Current assets:				
Trade and other receivables	5	23		
Cash and cash equivalents	6	607		630
Total assets				641
Current liabilities:				
Trade and other payables	7	(187)		(187)
Total assets less current liabilities				454
Total assets less total liabilities				454
Taxpayer's equity:				
General fund				454

Sophie Howe, Future Generations Commissioner for Wales and Accounting Officer

17th July 2017

The notes on pages 46 to 53 form part of these accounts

Statement of Cash Flows for the period 1 February 2016 to 31 March 2017		
		1.2.16 to 31.3.17
	Note	£000
Cash flows from operating activities		
Net Expenditure	Remuneration Report and 2	(1,102)
Adjustment for non-cash transactions	2	6
(Increase)/decrease in trade and other receivables	5	(23)
Increase/(decrease in trade payables	7	187
Net cash outflow from operating activities		(932)
Cash flows from investing activities		
Purchase of property, plant and equipment	4	(17)
Net cash outflow from investing activity		(17)
Net cash outflow		(949)
Cash flows from financing activities		-
Net Financing		1,556
Net increase/(decrease) in cash and cash equivalents	6	607
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		607

The notes on pages 46 to 53 form part of these accounts

Statement of Changes in Taxpayers' Equity for the period 1 February 2016 to 31st March 2017		
		General Fund
	Note	£000
Balance as at 1st February 2016		-
		-
Changes in Taxpayers' Equity 2016-2017		
Funding from Welsh Government		1,556
Comprehensive net expenditure for the year		(1,102)
Balance at 31st March 2017		454

The notes on pages 46 to 53 form part of these accounts

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the Government's Financial Reporting Manual (FReM) issued by HM Treasury. The financial statements have been prepared for the first accounting period for the Commissioner from 1st February 2016 to 31st March 2017. There are no comparative figures. The accounting policies contained in the FReM apply International Accounting Standards (IFRS) as adopted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Commissioner for the purpose of giving a true and fair view has been selected. They have been applied consistently in dealing with items considered material in relation to the accounts.

We have considered the impact of standards and interpretations which have been issued but are not yet effective and which have not been adopted early by the Commissioner. With the exception of International Financial Reporting Standards (IFRS) IFRS16 Leases, the Commissioner anticipates that the adoption of these Standards and interpretations in future periods will have no material impact on the financial statements. The impact of IFRS16, which has been issued by the International Accounting Standards Board (IASB) but not yet adopted by the European Union and will apply from 2019-20, is not reasonably estimable at this stage.

The particular accounting policies adopted by the Future Generations Commissioner for Wales are described below.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention as, in the opinion of the Commissioner, the effect of the revaluation of fixed assets at their value to the organisation by reference to their current cost is considered to be immaterial.

1.2 Funding

The only source of funding for the Commissioner is from the Welsh Government via an annual grant, which is credited to the general fund when the grant is received.

1.3 Property, Plant and Equipment

The Commissioner has valued all non-current assets at historic cost (see 1.1. above). The minimum level for capitalisation of individual assets is £1,000. Large numbers of the same type of asset have been grouped together in determining whether they fell above or below the threshold.

1.4 Depreciation

Depreciation is provided at rates calculated to write off the value of non-current assets by equal instalments over their estimated useful lives, as follows:

- ICT Equipment 3 years

A full year's depreciation is charged in the year of acquisition.

1.5 Statement of Comprehensive Net Expenditure

Operating income and expenditure is that which relates directly to the operating activities of the Commissioner. It comprises charges for goods and services provided on a full cost basis. All expenditure is classed as administration expenditure.

1.6 Value Added Tax

The Commissioner is not registered for VAT. Expenditure and fixed asset purchases are accounted for VAT inclusive, as VAT is irrecoverable.

1.7 Pensions

The Commissioner's staff are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a defined benefit scheme. The cost of the defined benefit element of the scheme is recognised on a systematic and rational basis over the period during which it derives benefit from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the scheme, the Commissioner recognises the contributions payable for the year; these amounts are charged to the Statement of Comprehensive Net Expenditure in the year of payment.

1.8 Leases

Leases of assets where substantially all risks and rewards of ownership of a leased asset are borne by the Commissioner are classified as finance leases. The asset is

recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments. Payments are charged to the Statement of Comprehensive Net Expenditure and a finance charge is made based upon the interest rate implicit in the lease.

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure in equal amounts over the lease term.

1.9 Segmental Reporting

The Commissioner's Office operates in Wales and deals with issues that impact upon people in Wales and has only one segment.

1.10 Staff Expenses

The Commissioner provides for short term compensated absences such as annual leave that was untaken at the year-end.

1.11 Provisions

The Commissioner provides for legal or contractual obligations which are of uncertain timing or amounts at the balance sheet date, on the basis of best estimate of the expenditure required to settle the obligation.

1.12 Cash and Cash Equivalent

The Commissioner holds cash which is deposited in an account within the Government Banking Service upon receipt. The Commissioner does not hold any petty cash.

2. Other Administration Costs

	1.2.16 to 31.3.17	
	£000	£000
2.1 Administration costs:		
Premises	24	
Office	95	
Training and recruitment	8	
Travel and subsistence	27	
External auditor's remuneration	17	
Internal auditor's remuneration	9	
ICT equipment	25	
Project Work	82	
		287
2.2 Non-cash items:		
- depreciation charge on ordinary assets	6	
- loss on disposal of fixed assets	-	
		6
		293

3. Segmental Information

The Commissioner's office operates in Wales and deals with issues that impact upon people in Wales. It is therefore the Commissioner's opinion that her office only operates in one segment as reported.

4. Property, Plant and Equipment

	ICT Equipment	
	£000	
Cost		
At 1 st February 2016	-	
Additions	17	
Disposals	-	
At 31 st March 2017	17	
Depreciation		
At 1 st February 2016	-	
Charged in year	6	
Disposals	-	
At 31 st March 2017	6	
Net book value at 1st February 2016	-	
Net book value at 31st March 2017	11	
Asset financing:		
Owned		
Net book value at 31 st March 2017	11	
Owned		
Net book value at 1 st February 2016	-	

All assets are owned by the Commissioner, there are no assets financed through a finance lease.

The Commissioner received a number of assets from the Welsh Government as part of the set-up arrangements for her office. These assets were provided to the Commissioner at no cost and the net book value of these assets have been assessed as nil.

5. Trade Receivables and Other Current Assets

	31.3.17
	£000
Amounts falling due within one year:	
Trade and other receivables	-
Prepayments and accrued income	23
	23

6. Cash and Cash Equivalents

	31.3.17
	£000
Balance at 1 st February 2016	-
Net change in cash and cash equivalent balances	607
Balance at 31 st March 2017	607
All balances as at 31 st March 2017 were held in an account within the Government Banking Service.	

7. Trade Payables and Other Current Liabilities

Amounts falling due within one year	31.3.17
	£000
Taxation and social security	-
Trade payables	37
Accruals	150
	187

8. Commitments under Leases

8.1 The Commissioner subleases a floor from the Welsh Language Commissioner at 5-7 Market Chambers, Cardiff. The period of the lease ends on 10th December 2018. The Commissioner is committed to making payments of £54,182 by the end of the sublease; and £33,689 in relation to service costs.

8.2 The Commissioner has a lease agreement for the provision of a photocopier, the lease is for a five-year period, ending on 14th November 2021. The Commissioner is committed to making payments of £2,851 by the end of the lease.

9. Financial Instruments

IFRS7, Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the non-trading nature of the Commissioner's activities and the way in which her operations are financed, her office is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS7 mainly applies. The Commissioner has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks she faces in undertaking her activities.

Liquidity Risk

The Commissioner's net revenue and capital resource requirements are financed by the Welsh Government. Her office is not therefore exposed to significant liquidity risks.

Interest-rate Risk

The Commissioner's financial assets and liabilities are not exposed to interest-rate risks.

Foreign Currency Risk

The Commissioner's financial assets and liabilities are not exposed to foreign currency risks.

Fair Values

There is no material difference between the book values and fair values of the Commissioner's financial assets and liabilities as at 31st March 2017.

10. Capital Commitments

There were no capital commitments as at 31st March 2017.

11. Contingent Liabilities

There were no contingent liabilities as at 31st March 2017.

12. Related Party Transactions

The Welsh Government is a related party, the Commissioner received her sole source of funding from the Welsh Government (£1.556 million) during the period. The Commissioner's payroll is outsourced to the Public Service Ombudsman for Wales (POSW) and there have been a small number of material transactions during the period,

relating to the operation of payroll and pensions, with the PSOW, HM Revenue and Customs and the Cabinet Office.

There were no material transactions with organisations in which senior staff, or any of their family, held positions of influence.

13. Events after the Reporting Period

There were no events between the statement of financial position date and the date the accounts were signed that impact upon these statements.

These financial statements were authorised for issue on 18 July 2017 by Sophie Howe

Adran yr Amgylchedd a Datblygu Cynaliadwy
Department for Environment and Sustainable Development



Llywodraeth Cymru
Welsh Government

Ms Sophie Howe
Future Generations Commissioner for Wales
Office of the Future Generations Commissioner
Regus House
Falcon Drive
Cardiff Bay
Cardiff
CF10 4RU

sophie.howe@futuregenerations.wales

18 April 2016

Dear *Sophie*

I am writing to confirm the Grant-in-Aid settlement for the Future Generations Commission for Wales for the financial year of 2016/17 as approved by the National Assembly for Wales on 8 March 2016.

The Final Budget for 2016/17 contained a provision of £1,460,250 within the Natural Resources Main Expenditure Group. This baseline does not include the additional set up funding agreed by the Minister for Natural Resources outlined in his letter of 6 April 2016 nor the agreed carry forward 2015/16 as specified in Gretel Leeb's letter of 8 March 2016.

You can draw down monies quarterly using the form provided at Annex A.

I am sure that your team and my sponsorship team will continue to work together closely during 2016/17 to monitor expenditure and keep in touch with emerging issues. In the next few weeks we will be sending a draft Memorandum of Understanding which will set out in broad terms the governance arrangements between Welsh Government and the Commission.

Yours sincerely,

Matthew Quinn,
Director of Environment and Sustainable Development

Parc Cathays
Caerdydd
CF10 3NQ

Cathays Park
Cardiff
CF10 3NQ



BUDDSODDWR MEWN POBL
INVESTOR IN PEOPLE

Tudalen y pecyn 81

Ffôn • Tel: 029 20823256 EXT
GTN:1208 3256
Ffacs • Fax:029 2082 3380
Eboest • Email: matthew.quinn@wales.gsi.gov.uk

Eitem 4

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon



Llywodraeth Cymru
Welsh Government

Welsh Government Consolidated Accounts 2016-2017



Overview from the Permanent Secretary



Shan Morgan

I am pleased to be presenting my first consolidated accounts on behalf of the Welsh Government. I took up the role of Permanent Secretary towards the end of 2016-17 and I am grateful to my predecessor, Sir Derek Jones, for his sound financial management across the reporting period. I would like to thank Derek more generally for the solid foundations that I can build on as Permanent Secretary.

The last financial year set in motion a significant period of change. It began with the formation of the new Cabinet in May 2016 followed by the publication of 'Taking Wales Forward', the programme for government for this Assembly term. The First Minister also published 'Securing Wales' Future', a white paper jointly developed with Plaid Cymru, setting out the issues that are vital for Wales as the UK moves to leave the European Union. Work continued to embed the Well-being of Future Generations Act at the heart of government. There were historic changes to the devolved landscape in Wales too including the Wales Act 2017 receiving Royal Assent in January, bringing important new powers. The Welsh Government's legislative programme for the fifth Assembly commenced in May 2016 introducing wide ranging Bills relating to the abolition of the right to buy, new

taxes and public health. You will see more detail on these areas in the annual report along with a specific focus on the timetable for devolved taxes.

I have spent my first months listening to and getting to know the staff in the organisation and have been impressed by the talent, professionalism and commitment I have seen and by the real pride that colleagues take in serving their communities and stakeholders. The scale and speed of the changes ahead are unprecedented and my top priority is to make sure that the civil service of the Welsh Government is properly equipped to support Ministers and help them deliver their objectives. I have introduced an initiative to future-proof our organisation to meet the challenges ahead by building a strong, skilled and sustainable workforce, capable of responding effectively to changing priorities.

I am very grateful to colleagues inside and outside the Welsh Government for the warm welcome they have given me. I am delighted to have the opportunity to contribute to the future of Wales by ensuring that public resources are used to the best possible effect and deliver services that make a real difference to people's lives.

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Government of Wales Act 2006

Accounts of the Welsh Government are prepared pursuant to Section 131 of the Government of Wales Act 2006 for the year to 31 March 2017, together with the Certificate and Report of the Auditor General for Wales thereon.

Laid before the Assembly on 31 August 2017 pursuant to the Government of Wales Act Section 131

The Welsh Government at a glance

Overview

The Welsh Government is the devolved government for Wales. With an annual budget of around £14bn net of £1.8bn income, the Government works across key areas of public life such as health, education, the economy, agriculture and the environment.

It was formally created in 2007 under the Government of Wales Act, which established a division of functions between the National Assembly for Wales (the legislature) and the Welsh Assembly Government (the executive). The Wales Act 2014 has since legally changed the name to the Welsh Government. The Welsh devolution settlement has evolved dramatically since the establishment of the Assembly in 1999, and will

continue to expand through new powers which will come on stream next year.

Led by the First Minister, the Welsh Government makes decisions and is responsible for delivery in the areas devolved to it, as set out in the Government of Wales Act 2006 and the Wales Acts 2014 and 2017. This involves developing and implementing policies; setting up and directing delivery and governance; proposing Welsh Laws (Assembly Bills); and making subordinate legislation, such as regulations and statutory guidance. It also directly funds Welsh Government Sponsored Bodies.

Taking Wales Forward

Following the formation of the new Government the document Taking Wales Forward was published in September 2016 outlining the Government's key priorities for delivering improvements in the economy and public services, aimed at making a difference for everyone, at every stage in their lives. It focuses on enabling people to live healthy and fulfilled lives and make the most of every opportunity, and supporting them when help is needed most.

To drive forward delivery a national strategy is being developed, to set out in more detail the interdependent actions that will be taken to develop innovative solutions to the challenges faced and help maximise the impact of public funds. The strategy has been prepared in the context of the Well-being of Future Generations Act, and this will inform its implementation.

The Cabinet



From May 2016, the Cabinet and Ministers are:

Rt. Hon Carwyn Jones	First Minister
Jane Hutt	Leader of the House and Chief Whip
Mark Drakeford	Cabinet Secretary for Finance and Local Government
Vaughan Gething	Cabinet Secretary for Health, Well-being and Sport
Lesley Griffiths	Cabinet Secretary for Environment and Rural Affairs
Carl Sargeant	Cabinet Secretary for Communities and Children
Ken Skates	Cabinet Secretary for Economy and Infrastructure
Kirsty Williams	Cabinet Secretary for Education
Alun Davies	Minister for Lifelong Learning and Welsh Language
Rebecca Evans	Minister for Social Services and Public Health
Julie James	Minister for Skills and Science
Mick Antoniw	Counsel General

What the Welsh Government spends

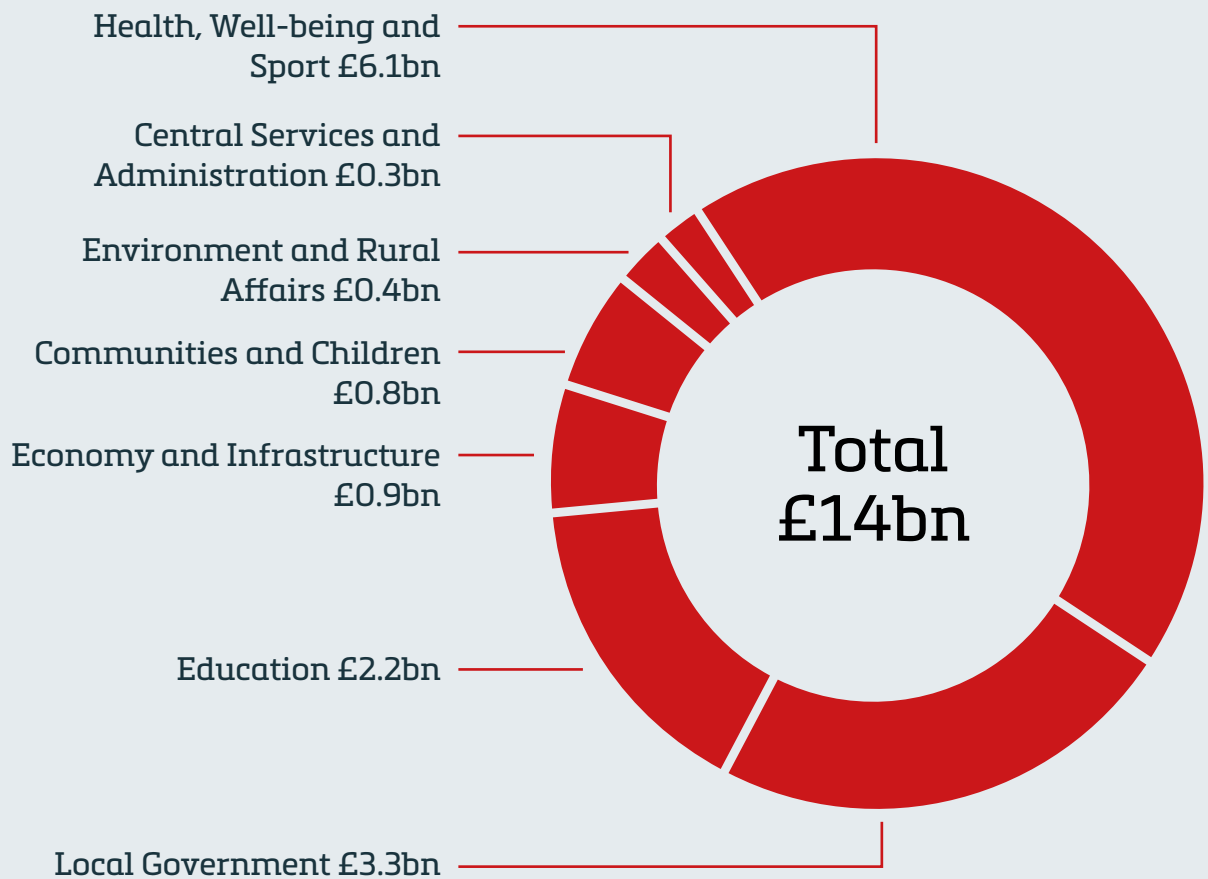
The level of funding available for devolved public expenditure in Wales is set through UK Government Spending Reviews. This is a Treasury-led process to allocate resources across all

UK Government Departments and Devolved Administrations. Adjustments to the level of funding for Wales – negative or positive – are determined through the Barnett Formula.

Expenditure in 2016-17

Expenditure is around £14.0bn which is net of £1.8bn income. The majority of this income is funding from National Insurance funds for Health, Well-being and Sport. A further £0.4bn is funding from the European Union.

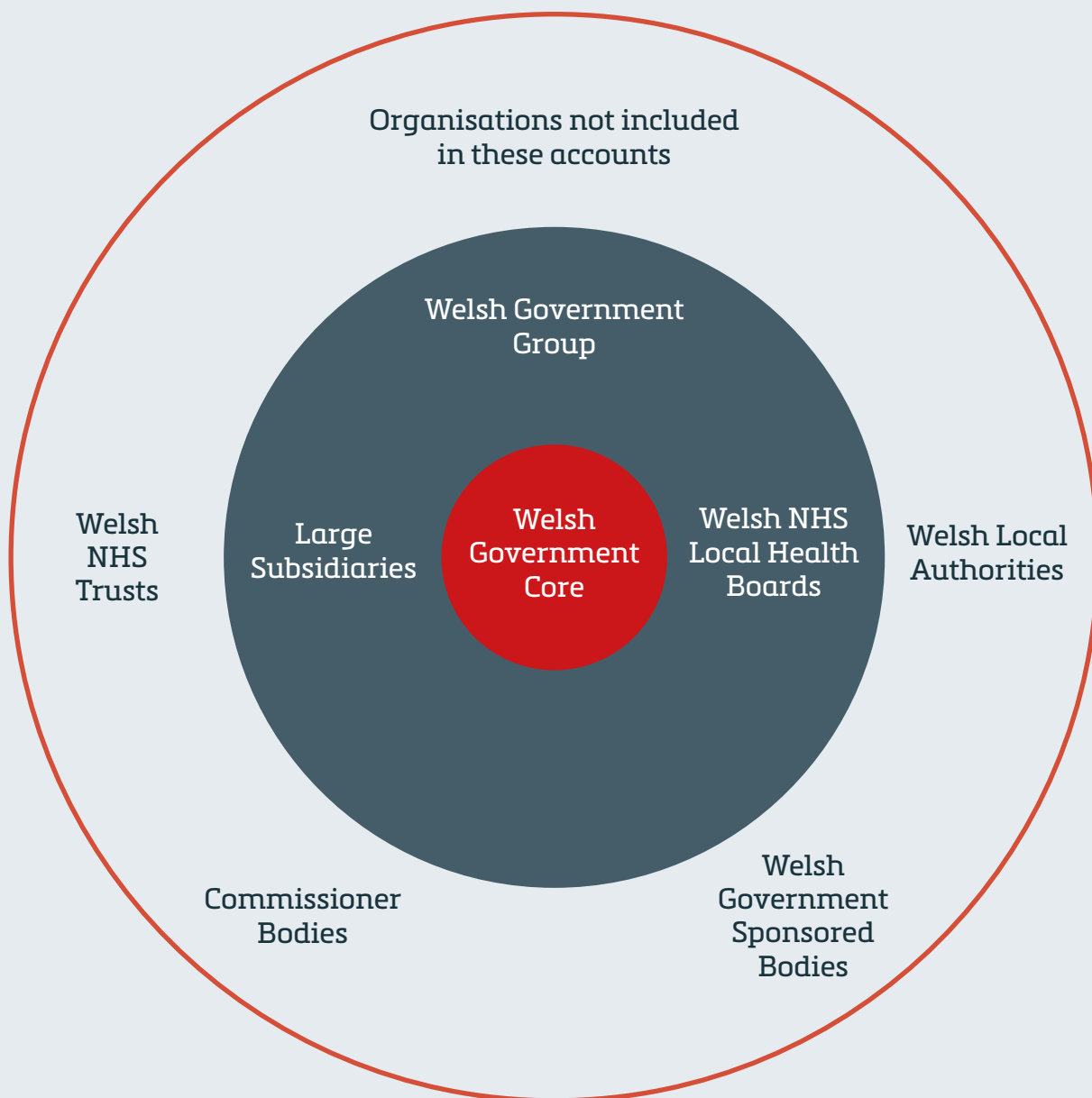
The net expenditure as authorised by Welsh Ministers is shown below:



Welsh Government Accounting Boundaries 2016-17

Given the extent of devolved responsibilities, the Welsh Government Accounts for 2016-17 cover the Welsh Government core (the Welsh Government itself) and the Welsh Government Group (consolidation with Welsh NHS Local Health Boards, Finance Wales, Regeneration Investment

Fund for Wales LLP, WG Holdco Ltd and Careers Choices). Whilst the Welsh Government funds the Welsh NHS Trusts, Welsh Government Sponsored Bodies and Commissioner Bodies they are not consolidated into the Welsh Government accounts.



Welsh Government balance sheet

Described in the Accounts as the 'Statement of Financial Position' the Welsh Government's Balance Sheet contains three major items:

- Property, plant and equipment – consisting primarily of the current valuation of the Road Network asset (£16bn), and the Local Health Boards property portfolio (£3bn)
- Financial assets – primarily the current valuation of the Welsh Student Loans book (£3bn).

Welsh Government Road Network

As the highway authority for trunk roads and motorways in Wales, the Welsh Government is directly responsible for the maintenance operation and management of this £16bn asset. There are over 75 miles of motorway and over 1,000 miles of trunk road.

Key components of the network include bridges, tunnels, retaining walls and gantries. There are over 3,700 such structures on the motorway and trunk road network across Wales with an estimated value of approximately £4.6bn. There are five road tunnels on the network across Wales.



There are over 75 miles of motorway and over 1000 miles of trunk road

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Local Health Boards property portfolio

NHS infrastructure includes land and buildings, but also other significant physical assets including vehicles, medical equipment, Information Management Technology equipment and infrastructure. The estate has a combined asset value of £3bn and covers all healthcare settings including acute, primary and community care.

The NHS has 26 main hospital sites across Wales which are operated by the local health boards although there are around 70 other smaller hospital sites. The Local Health Board estate is mainly made up of buildings valued at over £2.1bn, land £0.4bn and assets under construction £0.2bn.



The estate has a combined asset value of £3bn

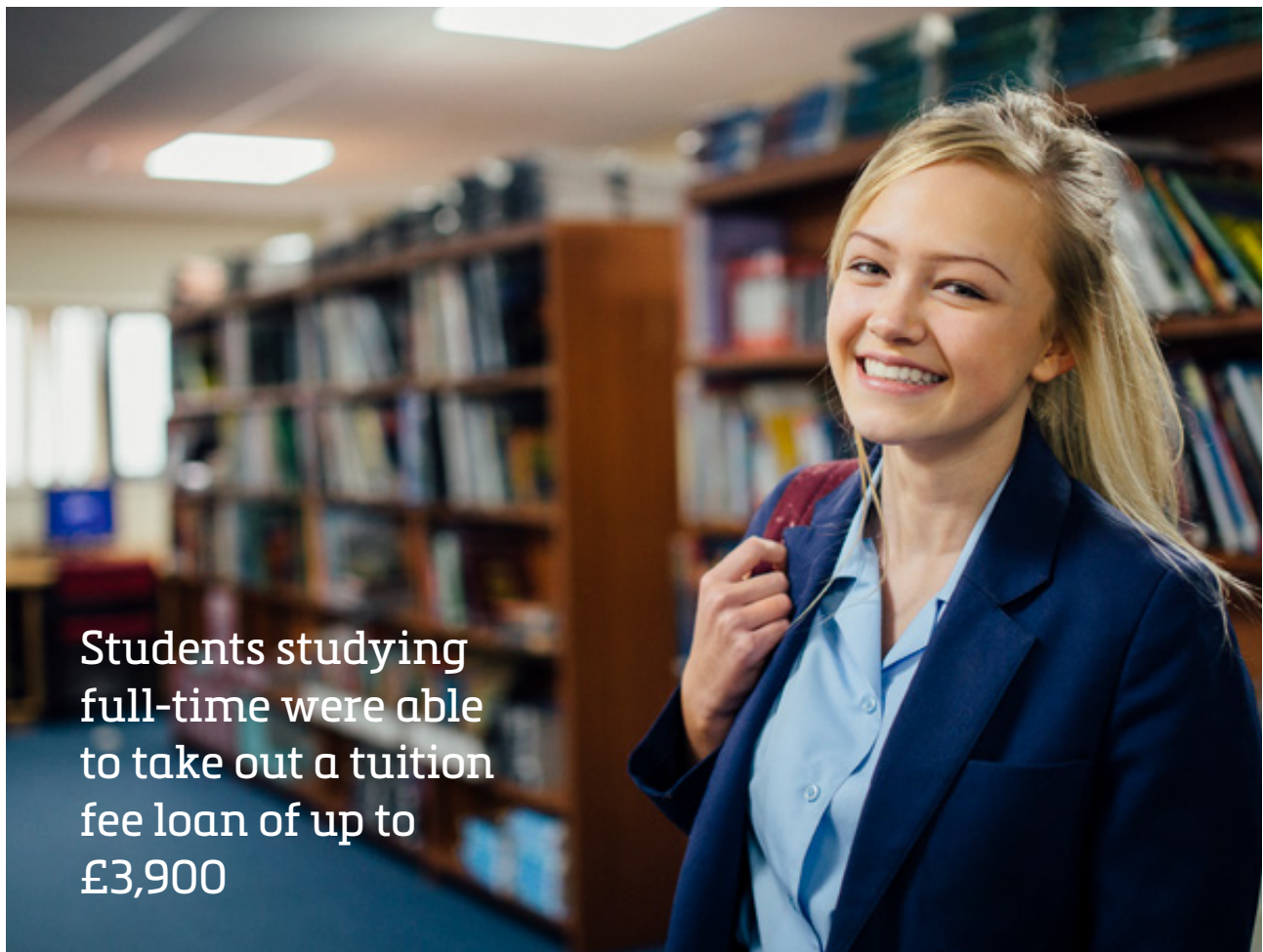
Student Loan Book

Welsh Ministers have a legal duty to provide financial support to students from Wales, studying higher education courses in the UK. Costs are demand-led and can be volatile. For budgeting purposes, the cost of providing student loans is estimated using a forecasting model. Sensitivity analysis is undertaken to measure the impact of changes in key modelling assumptions (for example, student numbers).

A range of student support loans were available to eligible Welsh students in the academic year 2016-17. Students studying full-time were able to take out a tuition fee loan of up to £3,900.

A loan for living costs was also available to students, the amount of which depends on a student's household income (i.e. is means-tested). The maximum amounts for loans for living costs also depended on where a student was living while they studied.

In addition to repayable student loans, eligible students also received a range of other grants, which do not have to be repaid. These included a tuition fee grant and Welsh Government Learning Grant for full-time students, and a course grant for part-time students. Targeted grants for students with a dependant child or adult, travel grants and Disabled Students' Allowances were also available.



Financial administration

Highlights of financial administration during the reporting period include:



102,810

invoices paid with a total value of **£783m** and **96%** were paid within **10** days.



395 grants schemes administered totalling

£13.8bn

Ranked **6th** out of 22 Government bodies for Cash Management.

42% of Welsh Government procurement spend in the financial year 2016-2017 was with Welsh companies.



European transition



Following the Referendum on the UK's membership of the European Union (EU) in June 2016, a dedicated European Transition team was put in place to lead the development of strategic policy, and co-ordinate Welsh Government's work on leaving the EU. The team has worked closely with the existing Welsh Government team in Brussels and across relevant policy departments.

A European Advisory Group was set up to advise the Welsh Government on the implications for Wales of the UK's exit from the EU and how challenges can be overcome, and opportunities taken, to secure a prosperous future and maintain a continued, positive relationship for Wales with Europe. The group, chaired by the Cabinet Secretary for Finance and Local Government, draws on a wealth of experience, comprising business leaders, politicians, trade unions and others with European expertise.

A Cabinet Sub-Committee on European Transition was established to shape and drive the Welsh Government's work, give strategic direction and ensure the best outcome is secured for the people of Wales as the UK leaves the European Union.

A new forum for engagement between the UK Government and the devolved governments was established as part of the existing Joint Ministerial Committee (JMC) architecture to discuss requirements for future relationships with the EU in preparation for negotiations.

The Welsh Government has remained pro-active in responding to the challenges and in January published a White Paper, 'Securing Wales' Future: Transition from the European Union to a new relationship with Europe' jointly with Plaid Cymru. This clearly sets out our strategic interests and priorities and offers a viable position for the UK as it enters into exit negotiations with the EU.

On 15 June 2017 a further policy document 'Brexit and Devolution' was published setting out a blueprint for a major constitutional renewal of the UK to meet the challenges Brexit poses for the devolved nations and the future governance of the UK as a whole.

As negotiations start with the EU, the Welsh Government will continue to play an active role to seek to secure the best outcome for the people of Wales.

The devolved landscape in Wales

The Wales Act 2017

On 31 January 2017 the Wales Act received Royal Assent. This brought to an end an 18 month period of negotiation between the Welsh and UK Governments on the content of the Bill, which itself was preceded by the UK Government's St David's Day process.

The Wales Act 2017 marks a significant change to the devolved landscape in Wales, most notably the move to a reserved powers model of devolution. Currently, the Assembly can only legislate in relation to the 21 conferred subjects listed in the Government of Wales Act 2006. Under the reserved powers model, the Assembly will instead be able to legislate in relation to

any subject not expressly reserved to the UK Parliament. This brings the Welsh devolution settlement into line with the systems of devolution in Scotland and Northern Ireland.

As well as amending the legislative competence of the Assembly, the Wales Act 2017 also enhances the executive powers of the Welsh Ministers in a number of policy areas. These include new powers over elections, water, transport and energy as well as the creation of a new office of the President of Welsh Tribunals. Further executive powers are likely to follow in 2018 via a series of transfer of functions orders which will accompany the coming into force of the principal Wales Act provisions.

Assembly Bill receiving Royal Assent in 2016-17

Tax Collection and Management (Wales) Act 2016 – received Royal Assent on 25 April 2016

This Act establishes the Welsh Revenue Authority (WRA) whose general functions (exercised on behalf of the Crown) are the collection and management of devolved taxes. The Act provides for the membership and governance of the WRA. The Act also establishes a legal framework for the collection and management of devolved

taxes, including provisions relating to tax returns; enquiries and assessments by the WRA; the WRA's powers of investigations and penalties; reviews and appeals of the WRA decisions; and the conferral of criminal enforcement powers.

The 2016-17 Legislative Programme

Following the election in May 2016 six Bills were introduced into the Assembly by the Welsh Government.

Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017

This Act establishes a devolved tax, land transaction tax, to replace stamp duty land tax in Wales and received Royal Assent on 24 May 2017. The Act establishes the key principles of the tax, including the types of transactions liable to the tax, the procedure which will be used to set and vary tax rates and bands, the reliefs which

may apply to a transaction, and the calculation to be used to determine the amount of tax charged on a transaction. The Act also confers powers on the WRA to tackle devolved tax avoidance through the introduction of a general anti-avoidance rule.

The Abolition of the Right to Buy and Related Rights (Wales) Bill

The Abolition of the Right to Buy and Related Rights (Wales) Bill was introduced to the Assembly in March 2017. It will end the Right to Buy and Right to Acquire in Wales. These rights can be exercised currently by certain social tenants and allow such tenants to purchase their homes from

their landlord at a discount. Ending the right to buy will protect social housing stock for future generations and encourage new social housing stock to be built without the risk of it being sold within a short time frame.



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The Additional Learning Needs and Education Tribunal (Wales) Bill

The Additional Learning Needs and Education Tribunal (Wales) Bill was introduced in December 2016. For children and young people aged 0 to 25, the Bill seeks to ensure equity of rights and improved transition between settings; establishes a single statutory plan – the individual development plan; creates new

statutory roles within health and education to ensure collaboration and integration and that learners' needs are met; and is underpinned by a strengthened code, with mandatory requirements and statutory guidance to support the primary legislation.

The Landfill Disposals Tax (Wales) Bill

This Bill was passed by the Assembly on 27 June 2017 and establishes a devolved tax, landfill disposals tax, to replace existing landfill tax in Wales. The Bill sets out the circumstances in which a disposal of material will be subject to landfill disposals tax and sets out a number

of exemptions and reliefs, penalties and other matters of detail. Landfill disposals tax will apply to unauthorised disposals as well as to disposals made at authorised landfill sites, which is different from the existing UK landfill tax.

The Trade Union (Wales) Bill

The Trade Union (Wales) Bill was introduced in the Assembly in January 2017 and was passed by the Assembly on 18 July 2017. The Bill reverses the effect of provisions in the Trade Union Act 2016 that have an adverse effect on the social partnership approach to managing public services in Wales. It disapplies sections in the 2016

Act, in so far as they apply to devolved Welsh authorities, which impose a 40% ballot threshold for industrial action, requirements on publication and restriction of facility time, and conditions on the payment of trade union subscription fees by way of a deduction from an employee's wages.

The Public Health (Wales) Act

The Public Health (Wales) Act was passed by the Assembly on 16 May 2017, and received Royal Assent on 3 July. It will improve and protect the health and well-being of the nation. Specifically, it protects children from second hand smoke and intimate piercing; enables the better planning of public toilet provision; and provides for the

safe regulation of special procedures such as tattooing, piercing, acupuncture and electrolysis. The Act also requires public bodies to assess how their decisions affect people's mental and physical health; and makes the planning of pharmacy services more responsive to the needs of communities.

Devolved taxes in Wales

Over the next two years responsibility for some of the tax revenue raised in Wales is passing to the Welsh Government and the National Assembly, which means in future they will be able to vary taxes, thereby influencing the level of funding available for public services.

Two years ago Wales took full financial responsibility for the money raised by non-

domestic rates (NDR). Until then there had been an element of pooling of NDR revenue with England but, from 2015, the money raised by NDR in Wales is what has been spent in Wales.

Including NDR and council tax, by April 2019 some £5bn for Welsh public services will be raised from taxes set in Wales.

Wales Act 2014

The new fiscal powers have been provided by the Wales Act 2014. In April 2018, two fully-devolved Welsh taxes will be introduced - land transaction tax (replacing stamp duty land tax) and landfill disposals tax (replacing landfill tax). They will be the first “made-in-Wales” taxes for almost 800 years. Primary legislation has been passed by the National Assembly to implement the taxes.

The Welsh taxes will be managed by the Welsh Revenue Authority (WRA), the first non-Ministerial department to be created by the Welsh Government. Legislation to establish the WRA was included in the Tax Collection and Management (Wales) Act 2016, and the organisation will be in place in autumn 2017.

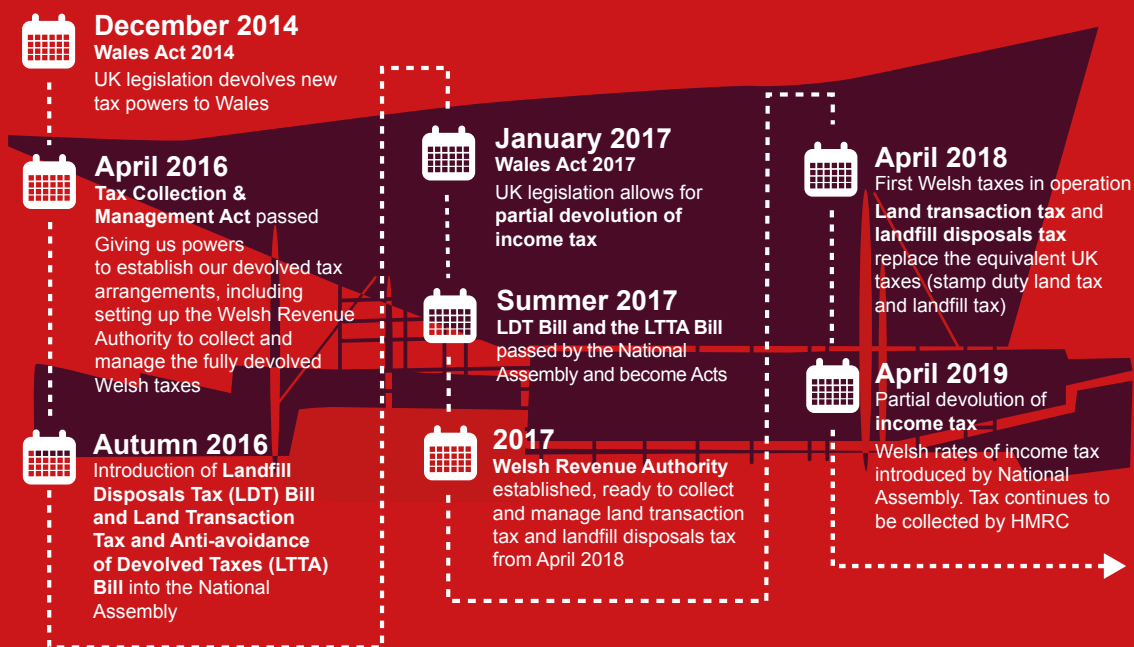
The introduction of Welsh Rates of Income Tax, in April 2019, will potentially have the widest impact on Welsh citizens. Income tax has been partially devolved to Wales, so while the National Assembly will be responsible for setting the annual rates to be paid by Welsh taxpayers on non-savings non-dividend income, the UK Government will retain responsibility for many other aspects –

including setting the personal allowance and the income thresholds which the tax rates will apply to, and for the taxation of income from savings and dividends. The tax will continue to be collected by HMRC. The Welsh Government has committed to not increase the rates of income tax during the current National Assembly.

The Wales Act 2014 also provides for the creation of new Welsh taxes – either additional UK taxes devolved to Wales or taxes newly created by the National Assembly. Any new tax would need to meet the challenging assessment criteria set by HM Treasury, and would need to be agreed by both the Assembly and the Houses of Parliament.

Alongside the tax powers, the Wales Act 2014 has also provided new borrowing powers for the Welsh Government. Following recent negotiations with the UK Government, these currently stand at £1bn of capital borrowing to invest in infrastructure and £500m of revenue borrowing to cover cash-flow fluctuations (now that part of the Welsh Government’s spending will be dependent on tax revenue).

Tax devolution timetable



Fiscal Framework

When the tax devolution measures are implemented, roughly 80% of the Welsh Government's spending will continue to be decided by the block grant. The negotiations on how the block grant should be reduced in return for the tax revenue being retained in Wales were therefore extremely important. The methodology for "off-setting" the grant is a complex process, requiring calculation of how the various tax revenues are expected to change in the future. However an approach was agreed by the Welsh Government and UK Government in December 2016 as part of a Fiscal Framework.

A key element of the framework involves reform of the Barnett formula, as applied to Wales.

The Fiscal Framework will implement the solution recommended by the Holtham Commission - a funding floor. This will mean that increases in spending on policy areas devolved to Wales will be multiplied by a factor of 115%, reflecting the

characteristics of the population. Initially, while relative funding in Wales is temporarily above that level, the multiplier will be 105%. This agreement will deliver extra resources for Welsh public services and addresses the issue of fair funding for the long term, thereby enabling the Welsh Government to agree to the partial devolution of income tax.

The Fiscal Framework also included agreement on a higher capital borrowing limit for Wales (increasing from £500m under the Wales Act 2014 to £1 bn); a Wales Reserve (to enable the Welsh Government to store unspent resources from tax receipts and the block grant - effectively a 'savings account'); and a role for bodies independent of government to contribute expert advice with regard to any future disagreement between the Welsh and UK Governments on the implementation of the Fiscal Framework.

Composition of Welsh Government funding following tax devolution

Tax policy for Wales

In June 2017, the Cabinet Secretary for Finance and Local Government issued a tax policy framework underpinned by five principles. Welsh taxes should:

- raise revenue to fund public services as fairly as possible
- deliver Welsh Government policy objectives, in particular supporting jobs and growth
- be clear, stable and simple
- be developed through collaboration and involvement

- contribute directly to the Well-being of Future Generations Act goal of creating a more equal Wales.

The Cabinet Secretary will be leading discussions with citizens, businesses and other stakeholders over the coming months as tax policy is further refined, including input from a programme of work to gather evidence to inform longer term thinking. The overall goal is to deliver a clear, stable, progressive and robust Welsh tax regime.

£16bn per year



2018–19

With fully devolved taxes

92%

Funding from UK Government



0%

Welsh rates of income tax



6%

Non-domestic rates



2%

Fully devolved taxes*



Overall capital borrowing limit **£0.5bn**

2019–20

After partial devolution of income tax

79%

Funding from UK Government



13%

Welsh rates of income tax



6%

Non-domestic rates



2%

Fully devolved taxes*



Overall capital borrowing limit **£1bn**

*Land transaction tax and landfill disposals tax

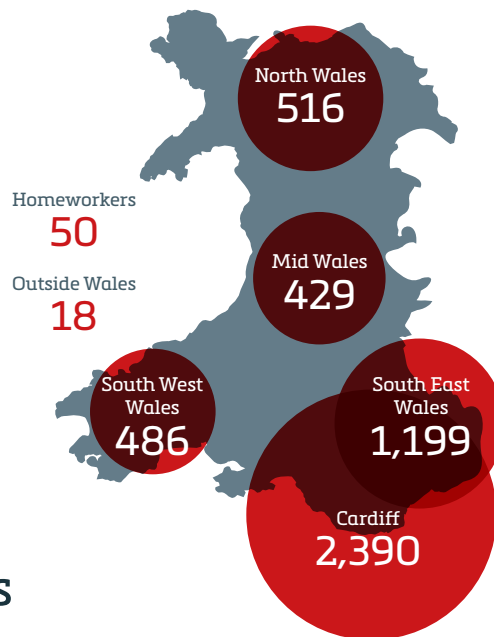
The Civil Service

The civil service is the non-political administration that supports the Welsh Government's First Minister, Cabinet Secretaries and Ministers. The core strengths of the civil service provide a solid foundation for the organisation – political neutrality; efficient administration; good governance; and sound management of public funds.

Staff work within one of four Groups – headed by the Permanent Secretary, two Deputy Permanent Secretaries, and the Director General for Health and Social Services (also Chief Executive of NHS Wales).

Welsh Government staff

At the end of the financial year, the Welsh Government civil service had 5,088 full time equivalent staff, a fall of over 80 staff during the year.



Welsh Government offices

As at April 2017 there are

30 properties

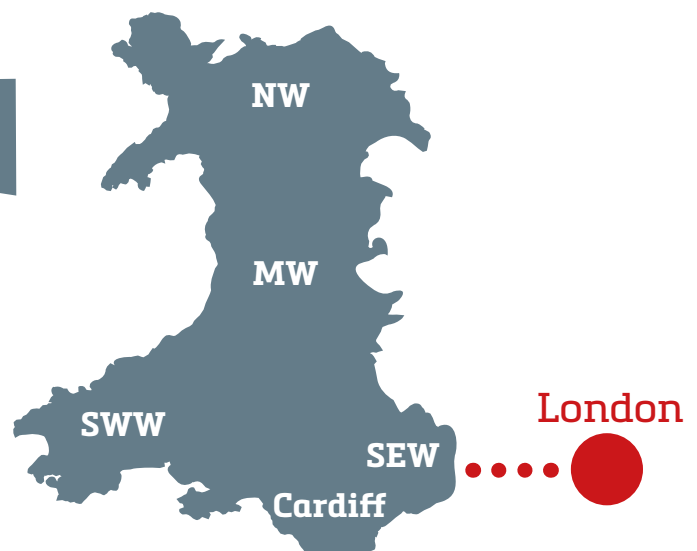


with **23** offices and **7** non-office sites compared to 2010 when there were **75** properties with **65** offices and **10** non-office sites.

The 2015-20 Location Strategy published last financial year continues to position the estate across **5** geographical areas in Wales, and a small but important office in London.

The strategy provides the potential to reduce to a total of **24** properties, with estimated gross savings of **£3.46m** and annual running cost savings of **£2.52m**.

Capital receipts from freehold disposals are estimated at between **£6.25m** and **£7.8m**.



Sustainability reporting

Environmental Management on the administrative estate

The Welsh Government aims to continue to improve the environmental performance of its administrative estate, working closely with technical specialists to enhance energy, water and waste management, with a view to meeting Government targets.

In 2016–17 carbon emissions reduced by 9% on the previous year. The Welsh Government has now exceeded its 2020 emissions target by achieving a 50% reduction on the 2010–11 baseline. There has been a further reduction in water consumption, while the recycling rate has surpassed the target of 80%.

The overall amount of waste recorded has increased although this is believed to be a result of improved methods of data collection and monitoring.

During 2016-17 the Welsh Government implemented an Environmental Strategy, following on from the 5 year Carbon Strategy, implemented in 2015-16. This new strategy provides the framework to ensure the administrative estate operates in an increasingly sustainable and efficient manner.

Further details on greenhouse gas emissions, waste produced and water consumption on the administrative estate are shown below:

Greenhouse Gas Emissions		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Financial Indicators ('000 tCO ₂ e)	Total Gross Emissions	10.4	10.4	9.2	8.4	6.9	6.3
	Gross Emissions Scope 1 (Gas)	1.9	1.9	1.5	1.3	1.1	1.1
	Gross Emissions Scope 2 (Electricity)	8.8	8.5	7.7	7.1	5.8	5.2
Related Energy Consumption (GWh)	Electricity	16.0	15.9	14.2	13.4	11.8	11.6
	Gas	8.6	10.2	8.4	7.1	5.8	5.8
Financial Indicators (£million)	Expenditure on Energy	2.0	2.3	2.3	2.1	2.1	2.1
	CRC Allowances (2012 onwards)	0.18	0.10	0.11	0.16	0.10	0.10
	Expenditure on official business travel	-	-	4.3	4.5	4.7	4.8

Waste		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	
Non-Financial Indicators (tonnes)	Total Waste (tonnes)	665	609	583	500	498	563	
	Non-Hazardous Waste	Landfill	268	202	184	127	112	104
		Reused/Recycled	448	365	361	314	322	396
		Composted (food)	76	42	38	59	64	63

Water		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Non-Financial Indicators (cu.m/person/yr)		10	8	10	8	8	7

Administrative performance

The organisation aims to be transparent, accessible and efficient in its administrative approach. Highlights of performance during the reporting period include:

- **12,142** items of Ministerial correspondence received with 10,851 (89.3%) responded to within the 17 working day deadline.
- **817** Freedom of Information requests received with 673 (86%) responded to within the statutory deadline.

- **83,919** telephone calls were received by the First Point of Contact Centre.

The organisation operates a customer complaints procedure which is delivered in line with the Public Services Ombudsman for Wales' operating model.

Developing the organisation

The Well-being of Future Generations

The Well-being of Future Generations Act came into effect in April 2016. In the first year following the commencement of the well-being duty and associated duties on the Welsh Government flowing from the Act, actions have been taken which include:

- Develop an innovative approach to the first 'Well-being of Wales' annual report, due to be published in September 2017, including establishing links to the United Nations Sustainable Development Goals.
- Develop the first statutory Future Trends Report for Wales which was published in May 2017 and continue work to ensure it supports public bodies to look to the longer term in their decisions.
- Design an initial set of Government well-being objectives, published in November 2016, to maximise our contribution to the seven well-being goals, and associated well-being statement.
- Review and revise the well-being objectives as part of the development of a national strategy.
- Share our experience of developing objectives with other public bodies subject to the Act.
- Support the establishment of Public Services Boards and the preparation of their local well-being assessments.

- Improve the way in which teams plan, manage, monitor and report on the work they do to provide better coherence and integration, better understand the relationship to the well-being goals, and how the five ways of working can help teams plan their work.
- Begin to develop a more integrated and strategic approach to appraising the impact of what we do using the Well-being goals and ways of working as a useful framework.

Implementing the Welsh Language Standards

During the reporting period the emphasis has been on embedding the standards in working practices across the organisation to help ensure the language is more visible and audible across Welsh Government offices.

The longer term focus is better and more strategic workforce planning, as required by the standards. The Welsh Government's 2016-17 annual report on compliance with the Welsh Language Standards is now published on our website.

Preparing for the Future programme

A business improvement programme ran from February 2015 to March 2017 with the aim of developing the organisation to better meet the needs of Ministers by identifying ways to be agile, flexible, capable and affordable. Highlights from the programme include:

- The Welsh Cabinet Office was created to provide greater strategic capability to support the First Minister and Cabinet in driving and coordinating the business of government.
- A common approach to business planning has been adopted across the organisation making plans more visible, improving progress reporting and encouraging collaborative working.
- A pilot of a new approach to resourcing to swiftly move people to posts to meet ministerial and business priorities. Feedback has informed longer term improvements to resourcing arrangements.
- New telephony and business communications tools were introduced across the organisation. The tools included instant messaging, enhanced voicemail services and Presence (which gives an overview of colleagues' availability and location).
- A flexible working pilot was undertaken at the Merthyr office to identify how flexible practices could benefit colleagues in delivering their business objectives and included the introduction of different working spaces and the trialling of shorter, clearer HR policies. Following the evaluation, the Board agreed for further roll out across the organisation to be explored.
- Analysis of grants administration was undertaken and centralisation of administration at Group level commenced.
- Early work to identify future workforce capability needs and skills gaps in light of the changing landscape.

- A new hub for leadership learning and development material published on the staff intranet.
- Improvements to commercial governance resulting in £4.7m of procurement savings.

Future-proofing our organisation

The new future-proofing initiative is focused on building a strong, skilled and sustainable civil service for the Welsh Government that is properly equipped to support Ministers and help them deliver their objectives. It aims to ensure that capability, confidence, leadership and resilience are in place to meet the exceptional set of challenges ahead and to give a strong foundation for the future.

It will involve colleagues at all levels in building an inclusive, high-performing culture that is genuinely collaborative and focused on outcomes

– reflecting the commitment to the well-being of future generations.

Learning and development programmes are being refreshed to make sure investments are in the right skills, and more innovative and pro-active approaches to exchanges and secondments are being explored; progression arrangements are being considered; and performance management and appraisal processes are being improved.

The future-proofing work is a long term approach and will be the focus for continuous improvement during 2017–18 and beyond.

Becoming a fairer place to work

During 2016-17 the Diversity and Inclusion Steering Group developed a Diversity and Inclusion Action Plan 2017-2020 following consultation across the organisation. The plan sets out how the Welsh Government will meet its Strategic Equality Plan objective ‘to be an exemplar in the equality, diversity and inclusion agenda by 2020’.

The Board agreed that in addition to its target of women making up 50% of the senior civil service (SCS) by 2020, it would introduce two further targets of increasing the total number of Black, Asian and Minority Ethnic (BAME) staff from 2% to 2.5% by 2020 and increasing the number of disabled staff from 4.8% to 5.8% by 2020.

A number of actions were delivered to help meet these targets including:

- Ensuring all SCS adverts use inclusive language.
- Developing a new mandatory objective for line managers to focus on leadership and delivering the Diversity and Inclusion Action Plan.
- A reverse mentoring pilot.
- A gender neutral toilets pilot.
- A leadership programme for the diversity networks.
- Development of a workplace adjustment policy.
- Training for mental health first aiders.
- Stonewall Allies training for SCS and Executive Bands.

- Development of an outreach programme.
- ‘Equalities Week’ was held in June 2016 to raise awareness of equality and diversity issues and the role of the diversity networks.

A number of benchmarking schemes were used to assess the equality and diversity work undertaken. The Welsh Government was placed 25th in the UK in the 2017 Stonewall Workplace Equality Index, 5th in Wales and the 3rd ranked government organisation in the UK.

In September 2016, the Welsh Government was accredited as a Disability Confident organisation

at Level 2. Work is underway to apply for Disability Confident Level 3.

The Welsh Government received a ‘gold status’ certificate and was 2nd out of 16 government departments in the a:gender health check 2016. a:gender is the support network for employees in government departments who have changed or need to change permanently their perceived gender, or who identify as intersex.

Welsh Government Apprentices and Learning and Development

The Welsh Government recruited 20 new apprentices last year, all of whom are undertaking a NVQ level 2 in Business Administration.

In addition, existing staff have been offered the opportunity to undertake an 18 month apprenticeship, studying towards NVQ level 4 in Leadership and Management. There are currently 16 members of staff on this scheme.

500 learning and development activities have been run aimed at all levels, from junior grades to members of the Senior Civil Service. These activities were further complemented by a diverse range of online learning solutions. 239 colleagues were supported to complete accredited Welsh Language training, from Foundation to Advanced Level.



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Statement Of Accounting Officer's Responsibilities

Under Section 131 of the Government of Wales Act 2006, the Welsh Ministers are required to prepare the annual consolidated resource accounts for the Welsh Government in accordance with directions given by HM Treasury. The Treasury directions require the detailing of the resources acquired, held, or disposed of during the period.

The consolidated resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Welsh Government and the other entities within the group at the end of the period and of their net expenditure and cash flows for the financial period.

The Principal Accounting Officer (PAO) for the Welsh Ministers has responsibility for the overall organisation, management and staffing of the Welsh Government. This includes responsibility for Welsh Government-wide systems in finance and other matters, where these are appropriate, and for the management of the Welsh Government's net cash requirement. The PAO is also responsible for preparing and signing the Welsh Government's consolidated resource account.

In preparing the accounts, the PAO is required to comply with the Financial Reporting Manual (FRoM) and, in particular, to: observe the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis; make judgements and estimates on a reasonable basis; state whether applicable accounting standards, as set out in the FRoM,

have been followed and disclose and explain any material departures in the accounts; and prepare the accounts on a going concern basis.

Under Section 133(2) of the Government of Wales Act 2006 the PAO is able to designate other members of the Welsh Government staff as Additional Accounting Officers. The PAO also designates the Chief Executive of the NHS as Accounting Officer of the National Health Service in Wales. The work of the Local Health Boards in Wales is governed by separate authority and the Chief Executives of each of the Local Health Boards are appointed as Accountable Officers by the Chief Executive of the NHS in Wales. These appointments do not detract from the PAO's overall responsibility for the Welsh Government accounts.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, for safeguarding the Welsh Government's assets and for taking reasonable steps to prevent and detect fraud and other irregularities, are set out in the Welsh Government Accounting Officers' Memorandum, issued by HM Treasury. The relationship between the PAO of the Welsh Government and other Accounting Officers, as described above, and their respective responsibilities, are set out in written agreements between the officials concerned.

Disclosure of information to auditors

As the Additional Accounting Officer, I confirm that there is no relevant audit information of which the Auditor General for Wales is unaware. I have taken all the necessary steps to make myself aware of any relevant information and to establish that the external auditor is aware of that information.

Governance Statement

Introduction

I am responsible for ensuring high standards of probity in the management of public funds. In discharging this duty, I am responsible for maintaining a sound system of internal control that supports the achievement of the Welsh Government's policies, aims and objectives, facilitates the effective exercise of the functions of Welsh Ministers and which includes effective arrangements for the management of risk.

The Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Welsh Government is directed and controlled and the activities through which it accounts to the National Assembly for Wales and engages with stakeholders. It enables the organisation to monitor the achievement of its policies, aims and objectives and whether value for money has been obtained.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. The Welsh Government's "Common Control Framework" sets out the delegations which operate consistently across all parts of the Welsh Government.

The governance framework and internal control system are also supported by an on-going process of risk management, designed to identify and prioritise the risks to the achievement of the Welsh Government's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and then to manage them efficiently, effectively and economically. The governance framework has been developed to comply with the requirements of good governance and is supported by "Managing Welsh Public Money", which sets out the principles for dealing with resources in Welsh public sector organisations. Managing Welsh Public Money was last updated in January 2016 will be reviewed and updated further during 2017/18.

Welsh Public Bodies

The Welsh Government delivers its aims and objectives, in part, through a number of public bodies, including Welsh Government Sponsored Bodies (WGSBs), subsidiary companies and other government-funded public bodies. Accounting Officers (or Chief Executives) appointed to each body are responsible for their organisation's management of public finances and are required to sign a governance statement which is published in their body's annual accounts. The relationship with the Welsh Government is defined in an appropriate form of written document for each body.

The Board

As Permanent Secretary and PAO, I am supported by the Welsh Government Board, which consists of both Non-Executive and Executive members. The Board advises me in taking key strategic decisions about how the Welsh Government Civil Service is developed to support the First Minister, Cabinet Secretaries and Ministers and ensures the Welsh Government delivers the objectives and strategies set out in Ministers' programme for government "Taking Wales Forward" and implements our obligations under the Well-being of Future Generations Act. Sir Derek Jones, KCB chaired the Board up to the date of my appointment. I chaired the Board meetings in February and March 2017. Both I and my predecessor met regularly with Board members on a bilateral basis and with the Non-Executive Directors collectively on a monthly basis. Looking forward, I have agreed with the First Minister that he will engage with the Board at least once a year.

Board Membership and Attendance

Attendance
at Meetings

Shan Morgan, Permanent Secretary (Feb-March 2017)	2/2
Derek Jones, Permanent Secretary (April 16-January 2017)	6/6
James Price, Deputy Permanent Secretary, Economy, Skills & Natural Resources	7/8
Owen Evans, Deputy Permanent Secretary, Education & Public Services	8/8
Andrew Goodall, Director General, Health & Social Services (NHS Chief Executive)	8/8
David Richards, Director, Governance	8/8
Jeff Godfrey, Director, Legal Services	7/8
Peter Kennedy, Director, Human Resources	8/8
Gawain Evans, Director, Finance	8/8
Gillian Baranski, Board Equality & Diversity lead	8/8
Natalie Pearson, Deputy Director, Engagement and Innovation	8/8
Sioned Evans, Chair, Operations Committee	6/8
Elan Closs Stephens, Non-Executive Director	7/8
James Turner, Non-Executive Director	8/8
Adrian Webb, Non-Executive Director	7/8
Ann Keane, Non-Executive Director	6/8

Board Self-Assessment of Performance

At its meeting on 17 March 2017, the Board reviewed its performance collectively over the reporting period, supported by a structured evaluation. Overall, the Board believed it had worked effectively and delivered the appropriate support and oversight to the Permanent Secretary. However, it did agree to review its Terms of Reference and agenda structure and changes have already been put into

effect to place greater emphasis on oversight and monitoring of the delivery of the Welsh Government's cross-cutting strategies and the objectives of the Wellbeing of Future Generations Act. During 2017-18 I will also be reviewing the Terms of Reference of all the Board's Sub-Committees to ensure they are consistent with and support the new Terms of Reference for the Board.

Board Sub-Committees

My predecessor and I were also advised by two non-executive led Board Sub-Committees (the Audit and Risk Committee and the Remuneration Committee) and one executive Board Sub-Committee (the Operations Committee).

Board Sub Committee: Audit & Risk

The Welsh Government's Audit and Risk Committee (ARC) supports me on assurance matters. This Committee was chaired by a Non-Executive Director and advised, throughout the year, first Sir Derek and then myself in our capacity as PAO. ARCs also operated at Group-level during 2016/17, with their Chairs also being members of the Welsh Government ARC. There were no changes in membership or structure of the Welsh Government ARC in the year.

Board Sub Committee: Operations

The Operations Committee supports me and senior leaders with the internal running of the organisation on an operational level, allowing the Board to maintain a strategic focus. The Committee provided advice on, and oversight and management of, the running of the Welsh Government and operated during the whole of the year.

Board Sub Committee: Remuneration

The Board's second sub-committee is the SCS Remuneration Sub-Committee, and is responsible for Senior Civil Service (SCS) pay and conditions, senior succession planning and recruitment and all SCS personal cases. A Non-Executive Director chaired the Committee. The Committee met six times during the year; Sir Derek attended four meetings and I attended two. The Remuneration Committee does not set my own pay which is dealt with by the UK Cabinet Office.

The Senior Leadership Team

Throughout 2016-17, my predecessor and I were supported by a leadership team of two Deputy Permanent Secretaries and a Director General, each leading a Welsh Government Group. I will take the opportunity afforded by the imminent replacement of the two Deputy Permanent Secretaries to review the leadership of the Welsh Government at that level during 2017/18. The Group structure is further sub-divided into directorates which align to the areas of responsibility devolved to the Welsh Government to administer.

I am mindful of the legal obligations placed upon the Welsh Government to deliver its work in line with the goals and ways of working set out in the Well-being of Future Generations Act. The implementation of a new business planning tool during 2016 is supporting the alignment of all Welsh Government work with the well-being objectives. Ways of working have been revised as well as processes and procedures, including

formal documents such as grant award letters. However, it is the work undertaken internally to raise the awareness of staff and encourage behaviours that build on cross-organisational working that will deliver the Well-being objectives effectively. The cross-cutting strategies currently being adopted by the Welsh Government will strengthen the integrated delivery of services.

The officials in the Senior Leadership Team are designated as Additional Accounting Officers (AAOs) to give them personal responsibility and accountability for the proper and regular use of public finances and the achievement of value for money on my behalf. Certain specific Directors are also designated as AAOs to further strengthen corporate governance and accountability arrangements, both for the use of public funds and in accounting to the Public Accounts Committee.

Business Group

The Business Group exists to facilitate the sharing of information to ensure all Directors are aware of current issues across the organisation. During 2016/17, meetings were chaired by the Director

of Governance and attended by staff at Director level and above, including Sir Derek and then myself, and were held regularly during the year.

Whistle-Blowing

The Whistle-Blowing Panel met regularly through the year to consider whistle-blowing cases, to ensure action was taken promptly but with great care, to maintain confidentiality. The Panel reported to the Board in March 2017. The Whistle-blowing and Civil Service Code policy explains what staff should do if they suspect a colleague of wrongdoing. Information is also published on the Intranet.

Six cases were reported to the Panel this year. Two were related to Business Appointment Rules for staff who had left the employ of Welsh Government: both were not found to be substantiated. Three related to staffing matters and were resolved internally. One related to an external matter and was referred to the relevant local authority.

At the end of the year, we reviewed our arrangements using the UK Cabinet Office's Whistle-Blowing Healthcheck tool and were pleased to confirm our arrangements are robust and in-line with good practice with only a small number of improvements needed around awareness-raising with staff.

In addition to the Whistle-Blowing Panel, the External Assurance Panel addresses concerns raised in relation to organisations which receive public money from the Welsh Government.

It provides a consistent, proportionate and appropriate response to concerns about how Welsh Government funding has been handled by our delivery partners and the beneficiaries of our grant schemes. The Panel provides advice to officials and identifies systemic issues which need to be addressed. Ten cases were considered by the Panel in the year. Five of these remain active and five were closed during the year.

Principal Accounting Officer's Annual Review of Effectiveness

As Principal Accounting Officer, I have responsibility for reviewing the effectiveness of the governance framework including the system of internal control, for which I take assurance from a wide range of activities. My review of the effectiveness of the system of internal control is informed by the work of Internal Audit and those Welsh Government officials with responsibility for the development and maintenance of the internal control framework. I take assurance from management responses to issues identified by the External Auditor (the Auditor General for Wales) in his annual Management Letter and other reports and also from management responses to reports published by the Public Accounts Committee and other National Assembly for Wales Scrutiny Committees undertaking their own enquiries.

I am also advised on the effectiveness of the system of internal control by the Board and the Audit and Risk Committee. Their advice has informed my review for 2016/17. In addition, Sir Derek Jones, KCB was Permanent Secretary and Principal Accounting Officer (PAO) for the majority of the financial year ended 31 March 2017. The assurances he gave to me on stepping down on 3 February 2017 contributed to the range of assurances which have informed my evaluation of the effectiveness of the system of internal control.

Led by the First Minister and the Cabinet, Cabinet Secretaries and other Ministers which he appointed, the Welsh Government's responsibilities cover key areas of public life. A wide range of internal controls are in place to provide for the sound stewardship of resources. From my review of the effectiveness of the governance framework, I am satisfied that risk has been well managed and that systems of internal control continue to improve.

Internal Audit

The Welsh Government Internal Audit Service operates to Public Sector Internal Audit Standards. Internal Audit undertook a full programme of work in the year, based upon an analysis of the major risks facing the organisation. Internal Audit submitted regular reports to the Audit & Risk Committees, at both Group and Welsh Government level, on progress in implementing this audit plan and I and my predecessor met regularly with the Head of Internal Audit through the year to discuss audit and assurance matters.

The Internal Audit Service co-ordinates its work with that of the Wales Audit Office. A joint working protocol underpins the approach taken and periodic liaison meetings have been held to share information. Together, these two independent sources of assurance provide me with significant comfort in respect of the achievement of value for money and the reliability of the financial accounts in the case of the Wales Audit Office and on the operation of the framework of risk management, governance and control in the case of Internal Audit.

The Head of Internal Audit, in her Annual Assurance Opinion report, provided me with “reasonable” assurance on the operation of the framework of governance, control and risk management within the Welsh Government. This was supported by the provision of “reasonable” assurances by each of the Senior Leaders in respect of their Groups.

European Funds Audit Team

In addition, the Welsh Government submitted to the European Commission its final closure declaration for the 2007-2013 Structural Funds Operational Programmes in February 2017. The declaration included a Final Control Report and Opinion from the European Funds Audit Team (EFAT). This report was based on all the

audit work carried out by EFAT in accordance with its audit strategy for the Programmes and also included the information required by the Annual Control Report for the period 1 January 2015 to 31 December 2016.

The Final Closure Report concluded that the final statements of expenditure and the applications for payment of the final balance for the Programmes was valid and the underlying transactions of expenditure were legal and regular and, therefore, an ‘unqualified opinion’ was provided. The declaration is currently being considered by the European Commission.

Audit Committee Annual Report

Based on its work over the reporting period, in the Committee’s Annual Report for 2016/17, the Audit & Risk Committee provided reasonable assurance on the adequacy of internal audit arrangements for the Welsh Government and on the reliability, integrity and comprehensiveness of the available assurances provided to the PAO in respect of governance, risk management and control. In particular, the Audit & Risk Committee has noted the better tracking of Wales Audit Office report recommendations over the year and also the benefits of earlier engagement by officials in the report clearance process. I am satisfied the Audit & Risk Committee, together with the Group Audit & Risk Committees, have operated effectively and provided good support in monitoring and reviewing risk, control and governance processes.

Annual Internal Control Questionnaires and Assurance Statements

I also required the senior leaders to complete an Internal Control Questionnaire for their Group and their own personal Statement of Assurance to provide me with their assessment of the effectiveness of their Group’s frameworks of internal control.

Internal Control Issues

The positive assurances I have received provide me with confidence the Welsh Government has, in general, well-designed and sound frameworks of governance and internal control. However, some notable issues have been revealed in these frameworks in the course of the year which have been, or are being, addressed and improvements made, which are set out below.

Fraud Matters

Towards the end of 2016, the Welsh Government received anonymous correspondence alleging fraud in the use of Welsh Government grants by NSA Afan, a charity based in Port Talbot. The Welsh Government conducted an investigation to consider whether there had been proper stewardship of public funds and to look at the way that grants had been spent and accounted for. This investigation provided sufficient evidence of financial irregularities and concerns about the effectiveness of the organisation's governance and control framework that the Welsh Government no longer had confidence in NSA Afan's ability to manage and safeguard public funds. For this reason, Welsh Government funding was terminated. Officials continue to work with the Charity Commission and the police to address this matter further.

Governance Statements in previous years have included commentary on frauds identified in the Concessionary Bus Pass scheme and, while two convictions were secured last year, related police investigations remain ongoing. Nevertheless, I have received assurances from officials on the outcome of steps taken to improve our capability to counter fraud, including the deployment of data analytics to interrogate management information. This has proved very effective during the year.

Arms Length Body Governance

The Auditor General for Wales confirmed his qualification of Natural Resources Wales

(NRW) accounts for 2015/16 on the grounds of "regularity" and, subsequently, the PAC has issued its own report on NRW's handling of significant contracts for the sale of timber. Both the Auditor General for Wales and Public Accounts Committee have made recommendations for the improvement of governance arrangements within NRW, including the decision-making process for letting such contracts. I have been assured that the management of NRW is pursuing action plans to address the issues raised regarding this transaction.

Following issues arising in relation to a number of Arms Length Bodies the Welsh Government has initiated a wide-ranging review of its governance arrangements for, and sponsorship of, Welsh Government funded public bodies, including its "Arms Length Bodies". At present, sponsorship is organised in a dispersed manner across a wide number of policy teams. The review will consider whether this arrangement delivers sufficiently robust engagement with and support of sponsored bodies and will also provide assurance as to the appropriateness of the governance and oversight protocols currently in place. The Welsh Government has been assisted in this review by the timely publication of a discussion paper on the governance of "Arms Length Bodies" by the Auditor General for Wales, who also hosted a seminar in November for senior officials to discuss the report. The Welsh Government will draw on this paper as it undertakes its review and delivers its recommendations.

Grants Management, Including Due Diligence Checks

Following the publication of a report by the Auditor General for Wales, in February 2017 the PAC took evidence on the Welsh Government's decision-making in respect of its package of funding to Kancoat, a metal-coil-coating business. Between 2013 and 2014, a package of £3.4m had been provided to support the company comprising commercial loan, property support and business grant. The business failed towards the end of 2014. Subsequently, the policy team involved undertook its own lessons-learned exercise and the Welsh Government has also taken on board the recommendations made by the PAC in its report to strengthen its framework for decision-making in respect of such investments. I have been assured that improvements have been made to processes and procedures, with progress being confirmed by recent Internal Audit work in this area.

On two occasions in the year, it came to light that charges had not been secured on premises funded by Welsh Government grants in the past. Securing a charge is a standard pre-condition before giving such a grant - to protect public money in the event of a recipient organisation failing (allowing the grant to be recovered) - but this was not done in these cases by the grant recipient. Inquiries by officials have not identified further cases and due diligence checks have been strengthened around confirmation that charges are in place.

The Auditor General for Wales has undertaken a review of the initial funding for the Circuit of Wales and his report was published just after the year end. The Auditor General identified matters which had not been confirmed sufficiently by the Welsh Government before providing funding to the Development Company. The Welsh Government is now reviewing its processes for the extent and nature of due diligence checks required prior to award and payment of grants. Following recent evidence sessions, the Public Accounts Committee will publish its own report and recommendations, to which the Welsh Government will respond in due course.

Information Governance

As PAO, I am responsible for ensuring appropriate arrangements are in place to comply with the core set of mandatory minimum measures to protect information in Government Departments which require me to assess our risk and ensure appropriate mitigation strategies are in place.

Where third parties handle information for which the Welsh Government is legally responsible, it is important that advice and guidance is provided to them about how that information must be handled. IT security is assessed prior to contract award where personal information is processed by Third Parties, and information assurance clauses are included as standard in requirement specifications by means of a Security Aspects Letter. We also verify that those who process our sensitive information are subject to an independent IT Health Check and meet the “Cyber Essentials” standard.

The Welsh Government’s corporate IT systems and associated security policies continue to be compliant with ISO 27001, the international standard for information security management, and are aligned with recommended practice and procedures. This was confirmed by the programme of audit work carried out by Internal Audit, the positive conclusion of an inspection of our cryptographic handling arrangements by the Communications Electronics Security Group (the UK National Technical Authority for Information Assurance) and by the positive assurance I have received from the Welsh Government Senior Information Responsible Owner (SIRO).

I am pleased to report the number of data losses in 2016/17 is lower than for 2015/16. Three data loss incidents were reported to the Information Commissioner’s Office during the year but no further action was taken because the Commissioner’s view was Welsh Government controls, such as staff training, clear policies and desk instructions were already in place. Minor incidents not needing to be reported are set out below:

Summary of Other Protected Personal Data Related Incidents			
Incidents deemed by the Data Controller not to fall within the criteria for reporting to the ICO but recorded centrally are set out in the table below			
Type	Nature of incident	2015/16	2016/17
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	5	5
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	1	2
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	-	-
IV	Unauthorised disclosure	33	21
V	Other	3	5

While the reduction in “unauthorised disclosures” is welcome, and I take assurance from work undertaken by Internal Audit in the year which confirmed management arrangements in this area are adequate and sufficient, we are not complacent and continue to work to address the reasons for their occurrence.

Local Accountability

A considerable proportion of the expenditure of the Welsh Government is distributed to Welsh Local Authorities and NHS Wales to deliver policy objectives and a range of front-line services, including health, social care and education. The Director General of the Health and Social Services Group within the Welsh Government is also Chief Executive of NHS Wales.

Local Authorities

Grant funding is provided to Unitary Authorities, Fire and Rescue Authorities, National Park Authorities and Police and Crime Commissioners in Wales. The largest single component of grant funding is the Revenue Support Grant (RSG) paid to Unitary Authorities, which may be used for any purpose in delivering the services for which those Authorities are responsible. Revenue Support Grant is distributed on the basis of a formula which reflects the factors which drive Authorities’ need to spend to deliver a wide range of services, including education and social care.

Funding is also provided to Authorities through grants which can be used only for the specific purposes for which they are provided. Additionally, Unitary Authorities receive some specific grants from UK Government Departments for non-devolved functions, income from nationally-set non-domestic rates distributed by the Welsh Government, from locally-set council tax and from fees, charges and other sources of income. Unitary Authorities also receive Welsh Government grants for capital spending, which is supplemented by their own borrowing capacity.

Similar arrangements apply to the provision for Police and Crime Commissioners, who are funded through a mix of RSG and redistributed non-domestic rates from the Welsh Government and Police Grant from the Home Office, from specific grants and from council tax. Other Authorities are funded through arrangements such as levies and precepts.

Each Authority is accountable for how it uses the funding in delivering the functions for which it is responsible. Unitary Authorities have an appointed officer under section 151 of the Local Government Act 1972 who has statutory duties to ensure there is proper administration of financial affairs. Authorities are held to account by their scrutiny functions and they are also subject to annual improvement audits conducted by the Auditor General for Wales covering value for money as well as governance and capacity matters.

In respect of funding provided for specific purposes, individual grant terms and conditions are the responsibility of the relevant policy departments. It is a requirement of these terms and conditions to have due regard to the Grant Centre of Excellence Minimum Standards for Grant Funding. Adherence to these standards should ensure compliance with the Welsh Government's governance and financial arrangements, relevant law, policy and good practice. With regard to funding provided by the UK Government in respect of non-devolved functions, the arrangements for accountability will be agreed between the Local Authorities and the relevant UK Government Department.

Under the Local Government Support and Intervention Protocol, at the end of 2016/17, no Local Authorities were classed as being in "special measures". Improvement and Support Conferences, including representatives from the WAO, Estyn, CSSIW and the WLGA, continue to be held regularly to discuss where early additional support could be offered to support Local Authority improvement.

Health

Local Health Boards (LHBs) are funded to commission and provide Hospital and Community Health Services and to meet the costs of drugs prescribed by GPs for their resident populations. Funding is also provided to cover the costs of payments to independent contractors including GPs, General Dental Practitioners and Pharmacists. Targeted funding is added to the core allocation to support the achievement of Welsh Government objectives. Capital funding is provided to LHBs to support the All Wales Capital Programme and other Welsh Government discretionary capital funding is also provided to support locally identified priorities.

In his Governance Statement for 2016/17 the NHS Chief Executive has reported that all LHBs and NHS Trusts have declared their assessment within their respective Annual Governance Statements and, generally, sound systems of internal control were in place to support the delivery of their policy aims and objectives for 2016/17. All seven LHBs and three NHS Trusts have reported a conclusion of no significant governance issues within their Annual Governance Statements, but all have noted areas of governance where improvements are required.

2016/17 is the third year the accounts of the LHBs & NHS Trusts have been prepared under the NHS three-year financial regime that was introduced under the NHS Finance (Wales) Act, effective from 1 April, 2014. Four of the ten organisations have not achieved their financial duty to break even over three years: Abertawe Bro Morgannwg achieved break even in 2014/15 and 2015/16 but failed to do so in 2016/17; Cardiff and Vale University Health Board failed to do this in 2014/15 and 2016/17 but achieved break-even in 2015/16; Betsi Cadwaladr and Hywel Dda University Health Boards have failed to break even in all three years. Consequently,

these four organisations have failed to meet their statutory financial duty for the first three-year period and, as a result, have received qualified regularity opinions from the Auditor General for Wales on their 2016/17 accounts.

The four health boards which failed to break even in 2016-17 incurred deficits of £148m in 2016/17 and have accumulated deficits over the three-year period of the financial duty assessment of £254m. Overall, in 2016/17, the LHBs and NHS Trusts incurred a net deficit of £148m. Actions were taken throughout 2016/17 to manage the deficits incurred within the health and social services budget. Consequently, there has been no breach of the Health, Wellbeing and Social Services budget allocation and no breach of the Welsh Government's budget overall.

The Welsh Government responded to the financial performance concerns in the four health boards in deficit through the NHS escalation framework. Betsi Cadwaladr UHB was placed into special measures in June 2015. Although financial issues were not an explicit reason for placing it into special measures, the Health Board's financial position has been monitored along with the other areas of concern.

The other three Boards in deficit were placed into targeted intervention in September 2016 and Welsh Government has been working with these organisations to provide challenge and support. This included undertaking financial governance reviews, which have reviewed the governance and decision making processes adopted by the organisations in the development of their financial plans, the governance of their in-year financial performance reporting and engagement with the Board on these matters. These reviews have concluded recently and Welsh Government will be considering the lessons to be learned and follow-up action required.

These progressive interventions by the Welsh Government in the four health boards demonstrate the intent to encourage stronger financial discipline in Local Health Board budgeting to better manage the finite resources available while securing the sustainable delivery of health services.

Risk Profile

The risk profile of the Welsh Government is extensive and varied, as would be expected from the broad range of different activities in which it is involved. It carries a number of contingent risks (high impact but unlikely to be realised) which arise from its regulatory responsibilities, for example its responsibilities in the event of an outbreak of human or animal disease in Wales, its responsibility for the Welsh transport infrastructure and its obligations under the guarantees it enters into from time to time to support businesses in Wales. In addition to contingent risks, the Welsh Government carries a number of long-term risks where the risk arises from uncertainties involved in the eventual outcome or cost to it, such as Student Loans and the “Help to Buy” scheme.

On a day-to-day basis, operational risks arise, in general, from the challenge of ensuring sufficient capacity and capability to advise on, and to deliver, the key policy objectives of the First Minister and his Cabinet.

The capacity to respond to a civil emergency has also been monitored through the year in light of the risk of a terrorist incident.

As would be expected, the Board identified the uncertainties around the outcome of the UK’s transition from the European Union as its most critical new risk identified in the year. UK transition presents both risk threats and risk opportunities and these are being mitigated, in the case of threats, and potential exploited, in the case of opportunities, through the active communication of Wales’ priorities and through arrangements to guide policy, analytical, legal and other related work, led by the newly created Welsh Government European Transition Team and supporting the European Advisory Group, to ensure effective engagement. Following events after the year end, the Welsh Government is also undertaking work to better understand and address the potential risk in relation to fire safety issues identified in tower blocks in Wales.

Capacity to Handle Risk

The Welsh Government's risk management policy is based on HM Treasury's "Orange Book" guidance for managing risk and has the key objective of ensuring there is a consistent process in place for measuring, controlling, monitoring and reporting risk across the organisation. Managing risk effectively should not lead the Welsh Government to be unduly risk averse and, in pursuit of its objectives, it is prepared to take risks which have been properly assessed, evaluated and managed to encourage more effective exploitation of opportunities as they arise.

Corporately, the Board is responsible for overseeing the implementation of the risk management policy and process. In June 2016, the Board adopted an updated format for the Corporate Risk Register which has supported and strengthened its oversight of

the key risks facing the Welsh Government which might prevent or hinder the organisation from achieving its strategic objectives, principally, those risks which are so critical they cannot be managed at Group level and those of a corporate nature whose impact would be felt across the whole organisation.

Corporate risks have been reviewed regularly by the Board through the year and have also been discussed at the Audit & Risk Committee. Mitigating risk is a management responsibility and each Director General/Deputy Permanent Secretary was responsible for managing risk and opportunity in respect of their Group's key objectives. Group risks were reviewed regularly by senior management teams and by the Group Audit & Risk Committees and were informed by risk registers maintained by projects and programmes and at Divisional level.

Ministerial Direction

My accountability requires me to ensure public money is expended in a manner consistent with the principles of regularity, propriety and value for money. If I, or my officials, are directed to undertake a course of action we believe does not meet this standard, I am expected to advise the relevant Cabinet Secretary or Minister and, if necessary, seek their formal direction to continue on that course of action. During the period covered by these accounts and their signing, no Ministerial Directions have been issued by Welsh Cabinet Secretaries or Welsh Ministers.

Conclusion

The system of internal control has been in place in the organisation for the year ending 31 March 2017 and up to the date of approval of the Annual Report and Consolidated Accounts. It accords with HM Treasury guidance. I have reviewed the evidence provided to me by my review of the effectiveness of the governance framework and am satisfied the organisation has maintained a sound system of internal control during this time, and that action is being taken to further improve internal controls and to tackle weaknesses where they have been identified.

Shan Morgan

Permanent Secretary and Principal Accounting Officer

Date: 2 August 2017

Remuneration And Staff Report 2016-17

Remuneration Policy

The remuneration of senior civil servants is set at UK Government level following independent advice from the Review Body on Senior Salaries. The Welsh Government has delegated responsibility for the remuneration of non-SCS staff.

The Review Body also advises on the pay and pensions of Ministers where pay is determined by the Ministerial and Other Salaries Act 1975. Further information about the work of the Review Body can be found at www.ome.uk.com

Service Contracts

The Constitutional Reform and Governance Act 2010, requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Welsh Government Annual Pay Policy Statement

In line with the 'Transparency of senior remuneration in the devolved Welsh public sector' principles published on 7 December 2015 the Welsh Government has published a pay policy statement on its website.

The Pay Policy Statement covers the Welsh Government's definition of both "senior posts"

and "lowest-paid employees" and the relationship between the remuneration of senior posts and that of the lowest-paid employees. It also covers:

- a) demonstrable evidence of affordability and value for money,
- b) the number of senior posts within the body with a remuneration package of more than £100,000 in bands of £5,000,
- c) the approach to internal talent management,
- d) the approach to performance related pay,
- e) the approach to providing support for lower paid staff,
- f) the highest and lowest pay points, and
- g) the severance policies operated and how and in what circumstances these can be varied.

Remuneration (including salary) and pension entitlements

This section is subject to audit and is covered by the Auditor General's audit opinion.

The following sections provide details of the remuneration and pension interests of the Ministers and the most senior management (i.e. Board members).

Remuneration

The remuneration of the First Minister and his Cabinet team and of the members of the Board, who served during the year, is noted below. These costs are reflected in the accounts of the National Assembly for Wales Commission and not the Welsh Government. Ministerial salaries include their salaries as Assembly Members of £64,000 (2015-16: £54,391). Benefits in kind related to Assembly Members responsibilities are not included in the table below. On leaving the Assembly three ministers also received Resettlement Grants as defined in Section 9.3 of the 'Determination of the Fifth Assembly May 2015' as follows: Leighton Andrews - £56,175; Huw Lewis - £51,824; Edwina Hart - £64,878.

Single total figure of remuneration

Ministers	Salary 2016-17	Salary 2015-16	Pension benefits (to nearest £1000) ¹ 2016-17	Pension benefits (to nearest £1000) ¹ 2015-16	Total (to nearest £1000) 2016-17	Total (to nearest £1000) 2015-16
	£	£	£	£	£	£
Rt. Hon Carwyn Jones First Minister	139,319	132,965	146,000	59,000	285,000	192,000
Mark Drakeford Cabinet Secretary	99,531	95,149	69,000	40,000	169,000	135,000
Vaughan Gething Deputy Welsh Minister to 19/05/16 then Cabinet Secretary from 20/05/16	97,503	80,027	66,000	35,000	164,000	115,000
Lesley Griffiths Cabinet Secretary	99,531	95,149	99,000	42,000	199,000	137,000
Jane Hutt Welsh Minister to 19/05/16 then Leader of the House from 20/05/16	99,531	95,149	179,000	47,000	279,000	142,000
Carl Sargeant Cabinet Secretary	99,531	95,149	101,000	42,000	201,000	137,000
Ken Skates Deputy Welsh Minister to 19/05/16 then Cabinet Secretary from 20/05/16	97,503	80,027	42,000	28,000	140,000	108,000
Kirsty Williams Cabinet Secretary (from 20/05/2016)	86,559	-	88,000	-	175,000	-
Mick Antoniw Counsel General (from 29/06/2016)	75,556	-	74,000	-	150,000	-
Rebecca Evans Welsh Minister	84,519	80,027	52,000	33,000	137,000	113,000
Julie James Welsh Minister	84,519	80,027	51,000	33,000	136,000	113,000
Alun Davies Welsh Minister (from 20/05/2016)	73,575	-	57,000	-	131,000	-
Leighton Andrews Welsh Minister (to 06/05/2016)	9,305	95,149	3,000	44,000	12,000	139,000
Edwina Hart MBE CSTJ Welsh Minister (to 04/05/2016)	4,590	95,149	1,000	46,000	6,000	141,000
Huw Lewis Welsh Minister (to 04/05/2016)	4,590	95,149	1,000	44,000	6,000	139,000
Theodore Huckle Counsel General (to 18/05/2016)	12,818	96,340	5,000	40,000	18,000	136,000

1 Pension benefits are calculated on a formula basis which can create an in year distortion where a pay rise results in an increased entitlement to pensions receivable. In these years the formula requires the increase in pension entitlement to be multiplied by a factor of 20 which bears no resemblance to the actual pension entitlement. The pension benefits are more accurately reflected in the CETV figures below.

Ministers	Accrued Pension at pension age as at 31/03/17 £000	Real increase in pension at pension age £000	CETV at 31/03/17 £000	CETV at 31/03/16 £000	Real increase in CETV £000
Rt. Hon Carwyn Jones First Minister	50-55	7.5-10	603	495	73
Mark Drakeford Cabinet Secretary	10-15	2.5-5	241	167	56
Vaughan Gething Deputy Welsh Minister to 19/05/16 then Cabinet Secretary from 20/05/16	15-20	2.5-5	177	136	25
Lesley Griffiths Cabinet Secretary	25-30	5-7.5	414	325	65
Jane Hutt Welsh Minister to 19/05/16 then Leader of the House from 20/05/16	55-60	7.5-10	967	815	152
Carl Sargeant Cabinet Secretary	30-35	5-7.5	324	256	47
Ken Skates Deputy Welsh Minister to 19/05/16 then Cabinet Secretary from 20/05/16	5-10	2.5-5	77	54	11
Kirsty Williams Cabinet Secretary (from 20/05/2016)	30-35	2.5-5	297	240	37
Mick Antoniw Counsel General (from 29/06/2016)	20-25	2.5-5	392	310	61
Rebecca Evans Welsh Minister	10-15	2.5-5	95	68	15
Julie James Welsh Minister	10-15	2.5-5	168	119	35
Alun Davies Welsh Minister (from 20/05/2016)	15-20	2.5-5	227	181	31
Leighton Andrews Welsh Minister (to 06/05/2016)	35-40	0-2.5	564	560	2
Edwina Hart MBE CSTJ Welsh Minister (to 04/05/2016)	40-45	0-2.5	658	635	0.5
Huw Lewis Welsh Minister (to 04/05/2016)	30-35	0-2.5	388	387	0.4
Theodore Huckle Counsel General (to 18/05/2016)	10-15	0-2.5	148	144	3

The National Assembly for Wales (the “Assembly”) provides a defined benefit scheme, governed by section 18 of the Government of Wales Act 1998. Section 20 (4) of and Schedule 11 to the Government of Wales Act 2006 provides continuity for the Scheme. The Government of Wales Act 2006 has not affected the legal status of the Scheme.

The Scheme provides benefits for Assembly Members and Office Holders. All Assembly Members are members of the Scheme from the date they enter the Assembly unless they opt specifically not to be. Ministers do not receive an automatic lump sum, they have the option to commute part of their pension into a lump sum in exchange for a reduced pension.

A new Career Average Pension Scheme was introduced from 6 May 2016. Members aged 55 or over on 1 April 2012 are subject to ‘Transitional Protection’ and continue to have their benefits calculated on a final salary basis for an additional five years until 5 May 2021.

The contribution made by the Assembly is currently 15.6% of Members aggregate salaries. Members not subject to ‘Transitional Protection’ pay contributions at the rate of 10.5%. Those members who are subject to ‘Transitional Protection’ continue to pay contributions at their existing rate of either 6% or 10% depending on whether they are accruing benefits on a 50th or 40th basis respectively.

Normal Retirement Age is linked to State Pension Age (or 65, whichever is higher). Any Final Salary pension accrued before 6 May 2021 will continue to be payable at a Normal Retirement Age of 65.

Single total figure of remuneration

The Financial Reporting Manual (FRoM) requires that all central Government Departments include a Single Total Figure of Remuneration along with a prior year comparative within the remuneration report. Total remuneration includes salary, bonus payments and benefits in kind (as detailed in previous accounts) plus the addition of a pension benefit figure. Pension benefits have been calculated using the methodology used to derive pension values for tax purposes. As a result the figures can be influenced by other factors such as an individual deciding to make additional contributions or valuation factors that impact the pension scheme as a whole and are, therefore, not always a true representation of the actual amounts of pension paid or earned by an individual in any one year. Nevertheless, this methodology applies to all government departments including NHS bodies.

Single total figure of remuneration – Senior officials of the Welsh Government

Senior officials	Salary 2016-17 £000	Salary 2015-16 £000	Pension benefits (to nearest £1000) 2016-17 £000	Pension benefits (to nearest £1000) 2015-16 £000	Total (to nearest £1000) 2016-17 £000	Total (to nearest £1000) 2015-16 £000
Shan Morgan Permanent Secretary (from 06/02/2017)	20-25 (full year equivalent 155-160)	-	85-90	-	110-115	-
Sir Derek Jones KCB Permanent Secretary (to 03/02/2017) ¹	135-140 (full year equivalent 165-170)	160-165	25-30	50-55	165-170	215-220
Andrew Goodall ² Director General	195-200	195-200	*	*	195-200	195-200
Owen Evans Deputy Permanent Secretary	140-145	135-140	50-55	50-55	195-200	185-190
James Price Deputy Permanent Secretary	140-145	135-140	80-85	60-65	225-230	195-200
David Richards Director of Governance	100-105	100-105	10-15	10-15	110-115	110-115
Jeff Godfrey Director Legal Services	105-110	105-110	10-15	40-45	120-125	150-155
Natalie Pearson Head of Engagement and Communication (from 01/09/2015)	75-80	45-50 (full year equivalent 75-80)	10-15	15-20	85-90	60-65
Gillian Baranski Equality and Diversity Champion from (01/09/2015)	105-110 (full year equivalent 115-120)	55-60 (full year equivalent 95-100)	55-60	5-10	165-170	65-70
Sioned Evans Chair of Operations Group (from 01/12/2015)	75-80	25-30 (full year equivalent 75-80)	25-30	10-15	100-105	35-40
Peter Kennedy Director of HR (from 01/09/2015)	90-95	50-55 (full year equivalent 90-95)	10-15	15-20	105-110	70-75
Gawain Evans Director of Finance (from 20/10/2015)	85-90	35-40 (full year equivalent 85-90)	60-65	50-55	145-150	90-95
Elan Closs Stephens Non-Executive Director	10-15	10-15	-	-	10-15	10-15
James Turner Non-Executive Director	10-15	10-15	-	-	10-15	10-15
Sir Adrian Webb ³ Non-Executive Director	10-15	25-30	-	-	10-15	25-30
Ann Keane ⁴ Non-Executive Director (from 01/01/2016)	20-25 ³	5-10 (full year equivalent 10-15)	-	-	20-25	5-10

- 1 Sir Derek Jones was fee paid for the last month which has reduced his 2016-17 pension benefit calculation.
- 2 Andrew Goodall is seconded from Aneurin Bevan University Health Board. Pension Benefit has been excluded above because the arithmetic calculations (£210-215,000) 2015-16: £280-285,000 are based on figures which are not indicative of the benefit received. He opted out of the pension scheme during 2015-16 and back into the pension scheme during 2016-17 which has impacted on this calculation, and likewise this has affected his accrued pension and increase in pension figures below.
- 3 Sir Adrian Webb's salary includes additional fees of £853 paid in April 2017 but carried out in 2015-16 (2015-16:£13,965) for commissioned work within the Welsh Government.
- 4 Ann Keane's salary includes additional fees of £8,629 (2015-16:£nil) for commissioned work within the Welsh Government.

Senior officials	Accrued Pension at pension age as at 31/03/17 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/17 £000	CETV at 31/03/16 £000	Real increase in CETV £000
Shan Morgan Permanent Secretary (from 06/02/2017)	70-75 plus lump sum of 120-125	2.5-5 plus lump sum of 5-7.5	1,492	1,434	83
Sir Derek Jones KCB Permanent Secretary (to 03/02/2017) ¹	80-85 plus lump sum of 240-245	0-2.5 plus lump sum of 2.5-5	1,725	1,714	24
Andrew Goodall Director General	45-50 plus lump sum of 120-125	(7.5-10) plus lump sum of (2.5-5)	740	698	42
Owen Evans Deputy Permanent Secretary	15-20	2.5-5	226	186	24
James Price Deputy Permanent Secretary	45-50	2.5-5	588	521	37
David Richards Director Governance	45-50 plus lump sum of 145-150	0-2.5 plus lump sum of 0-2.5	1,086	1,078	10
Jeff Godfrey Director Legal Services	40-45 plus lump sum of 130-135	0-2.5 plus lump sum of 2.5-5	952	923	12
Natalie Pearson Head of Engagement and Communication	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 0-2.5	479	448	8
Gillian Baranski Equality and Diversity Champion	20-25	2.5-5	421	341	59
Sioned Evans Chair of Operations Group	15-20 plus lump sum of 45-50	0-2.5 plus lump sum of 0-2.5	304	275	12
Peter Kennedy Director of HR	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 2.5-5	520	483	11
Gawain Evans Director of Finance	30-35 plus lump sum of 95-100	2.5-5 Plus lump sum of 7.5-10	608	532	51

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by the Welsh Government with the exception of Ministers as noted above.

Senior Civil Servants within the Welsh Government are contractually entitled to be considered for a performance related variable payment. Any payments made are paid at the end of July each year, but no payments were made. It is the role of the Senior Civil Service Remuneration Committee to apply the UK senior pay policy and approve any awards, assessing the relevant contributions and performance of Senior Civil Servants during the year. This Remuneration Committee consists of the Permanent Secretary, one Director General and the three non-executive Directors.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument, is disclosed to the nearest £100. Benefits in kind assessed were nil.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the Welsh Government in the financial year 2016-17 was £195,000-200,000 (2015-16: £195,000-200,000). This was 5.7 times (2015-16: 5.8) the median remuneration of the workforce, which was £34,750 (2015-16: £34,750). Based on the Permanent Secretary's banded remuneration the ratio is 4.6 (2015-16: 4.7). In 2016-17 and 2015-16 no employees received remuneration in excess of the highest paid director. Remuneration ranged from £17,200 to £199,000 (2015-16: £17,200 to £199,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement

which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values)(Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Numbers and Costs

The average number of full-time equivalent persons employed (including senior management and special advisers) during the period is as follows:

	Permanently employed staff	Other staff	Special Advisers	Total 2016-17	Total 2015-16
Total	74,189	1,982	7	76,178	74,185
Of which:					
Welsh Government	4,978	126	7	5,111	5,293
Local Health Boards	68,446	1,856	-	70,302	68,104
Subsidiaries	765	-	-	765	788
Of the Welsh Government total:					
Regulatory & delivery bodies	718				
Tribunals	29				

Gender Breakdown of Welsh Government staff (unaudited)

	Male	Female
Board Members	60%	40%
Senior Civil Service	59%	41%
All Staff	41%	59%

Staff costs

	Permanently employed staff	Other Staff	Year ended 31 March 2017 Total	Year ended 31 March 2016 Total
Welsh Government	£m	£m	£m	£m
Salaries	198	5	203	209
Social Security Costs	22	-	22	18
Other Pension Costs	48	-	48	49
Total	268	5	273	276
Recoveries from secondments	(1)	-	(1)	(1)
Net staff costs	267	5	272	275
Consolidated				
Salaries	2,714	157	2,871	2,760
Social Security Costs	260	-	260	198
Other Pension Costs	355	-	355	343
Total	3,329	157	3,486	3,301
Recoveries from secondments	(1)	-	(1)	(1)
Net staff costs	3,328	157	3,485	3,300

Salaries include gross salaries, performance bonuses payable, reserved rights to London Weighting or London allowances, recruitment and retention allowances, and private office allowances. Special advisors were paid a total of £433,693 (2015-16 - £620,225) for the year, inclusive of pension and social security costs, and have been included within the figures above. The social security and pension costs for temporary and seconded staff under the core figures for other staff have been included in salaries as they are invoiced on a gross basis. Salaries of Welsh Ministers are paid by the National Assembly for Wales Commission and are reflected in those accounts.

Pensions

Civil Service pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service, joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one section providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from 1

October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary related and range between 3% and 8.05% of pensionable earnings for **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum, **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during his period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of

pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** as appropriate. Where the official has benefits in both PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/my-civil-service/pensions

Employees of the Welsh Government belong to the Principal Civil Service Pension Scheme, with the exception of a small number of staff who have elected to retain membership of other public sector schemes.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Welsh Government is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office.

For 2016-17, employers contributions of £39,714,603 were payable to the PCSPS (2015-16: £39,831,454) at one of four rates in the range 20.0 to 24.5 per cent (2015-16: 20.0 to 24.5) of pensionable earnings based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme

valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £184,495 (2015-16: £165,822) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8 to 14.75 per cent of pensionable earnings. Employers also match employee contributions up to 3 per cent of earnings. In addition, employer contributions of £7,007, 0.5 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2015-16: nil). Contributions prepaid at the date were £nil (2015-16: £nil).

3 individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £21,125.

A small number of former Welsh Development Agency employees elected to retain their existing terms and conditions and pension arrangements. They participate in the Local Government Pension Scheme, which is a multi-employer funded scheme providing pension and related benefits, which is now on a career average basis rather than a final salary basis. The assets of the scheme are held separately from the assets of the Welsh Government and are administered by Rhondda Cynon Taf County Borough Council. Additional retirement benefits are granted in accordance with the Local Government (Compensation for Premature Retirement) Regulations 1982 and these benefits are provided on a pay-as-you-go basis. Details of Local Health Board Pensions are contained in their accounts.

Reporting of Civil Service and other compensation schemes – exit packages

There was no flexible early retirement, approved early retirement or flexible early severance in 2016-17 or 2015-16.

For 2016-17 21 (2015-16: 42) employees have left or agreed to leave between 31 March 2016 and 31 March 2017. Compensation payments are £709,287 (2015-16: £1,830,696). For each case a payback period is calculated which is then approved by the Director of HR.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the department has agreed early retirements, the additional costs are met by the Welsh Government and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band 2016-17	Total number of exit packages by cost band 2015-16
Exit package cost band				
<£10,000	-	1	1	12
£10,000 - £25,000	-	5	5	6
£25,000 - £50,000	-	12	12	8
£50,000 - £100,000	-	3	3	12
£100,000 - £150,000	-	-	-	4
£150,000 - £200,000	-	-	-	-
£200,000+	-	-	-	-
Total number of exit packages by type	-	21	21	42
Total resource cost £	-	709,287	709,287	1,830,696

The costs included in the table provide the total cost to the organisation of any exit. In some instances these are cash payments, but in other instances costs include items such as early access to pension costs, pension costs between leaving date and scheme retirement age.

Sickness absence (unaudited)

Sickness absence levels across the Welsh Government continued to decrease during the year, as the measures introduced during the previous year continued to have a positive impact. During 2016-17 a number of additional measures were introduced with the aim of maintaining this momentum, alongside the continuation of training and awareness sessions to make staff aware

of their individual and collective responsibilities. The year has also seen the commencement of the development of a new Health and Wellbeing Strategy for the Welsh Government, to provide a more targeted approach to the way in which we manage sickness absence and the way in which we support and encourage staff to return to work as soon as they are able.

Welsh Government Sickness Absence	2016-17	2015-16	2014-15
Days Lost (short term)	17,354	18,967	20,631
Days Lost (long term)	22,876	23,977	23,161
Total Days Lost (12 month period)	40,230	42,944	43,792
Total staff years	5,155	5,307	5,519
Total staff employed in period (headcount)	5,691	5,964	6,134
Total staff employed in period with no absence (headcount)	2,529	2,479	2,500
% staff with no sick leave	44%	42%	41%
Average working days lost	7.8	8.1	7.9

Accountability Disclosures

Losses Statement	2016-17	Reclassified 2015-16
Total number of losses	118	131
Total value of losses (£000)	2,180	6,995

Details of losses over £300,000: Store losses - expired drug stocks of £1,684,038.

Special Payments	2016-17	Reclassified 2015-16
Total number of Special Payments	8	21
Total value of Special Payments (£000)	543	241

Losses for other group organisations are shown in detail in their respective accounts.

Summary Of Resource Outturn

	Budget 2016-17 Net expenditure £m	Outturn 2016-17 Net expenditure £m	Outturn compared with Budget Variance £m
AMBIT			
Health, Well-being and Sport	6,147	6,063	84
Local Government	3,342	3,340	2
Education	2,226	2,175	51
Economy and Infrastructure	887	823	64
Communities and Children	768	768	-
Environment and Rural Affairs	371	370	1
Central Services and Administration	320	307	13
Total Resource and Capital requirements	14,061	13,846	215
Income	2,106	1,815	291
Gross expenditure	16,167	15,661	506

The above table shows the new AMBIT format following the election in May 2016. The previous AMBIT structure applied to the 2015-16 financial year shown below:

	Outturn 2015-16 Net expenditure £m
AMBIT	
Health and Social Services	5,512
Local Government	3,472
Education and Skills	1,782
Economy, Science and Transport	1,285
Communities and Tackling Poverty	735
Natural Resources	394
Central Services and Administration	304
Total Resource and Capital requirements	13,484
Income	1,823
Gross expenditure	15,307

Variance explanations over £10m

Health, Well-being and Sport £84m

i) Alignment technicality: £92m underspend

The budget included within the Second Supplementary Budget Motion 2016-17 (and used in the Summary of Resource Outturn) does not reflect the resources consumed by the NHS bodies in Wales in line with the budgets set by HM Treasury and those used for financial management within Welsh Government, only the cash paid to these bodies. This creates an alignment issue which for 2016-17 totalled £92m. The variance comprises: £29m in timing differences, primarily capital projects where expenditure was incurred but for which cash was not drawn; and £63m reflecting the cash requirements of health boards. This issue will largely be resolved by the designation of the NHS bodies in Wales implemented in the Annual Budget Motion 2017-18.

ii) NHS Risk Pool Provisions: £15m overspend

The largest element was associated with the Lord Chancellor's announcement of her intent to revise the personal injury discount rate before the end of the financial year, affecting all clinical negligence claim settlements.

iii) Revenue £7m: underspend

The Second Supplementary Budget included an allocation of £7.5m to help address overspends

being forecast in health boards. However, improvement in their financial position meant that for the most part this was not needed.

Education £51m underspend

The variance was associated with the student loans budget which is demand led and difficult to forecast. The annual impairment (write down in the expected value) of the loan book calculated by statistical modelling was £28m less than budgeted. In addition, the value of student loans issued and repayments made was £23m less than anticipated.

Economy and Infrastructure £64m underspend

Most of the variance related to expenditure outside normal management controls such as provisions and asset impairments following independent valuation of the investment property portfolio. There was also a change in the roads valuation modelling following the use of a new algorithm affecting the useful life of roads and thus the annual depreciation charge requirement.

Central Services and Administration £13m underspend

There were three main elements. An underspend of £4m occurred in the Invest to Save Fund. There was a £3m underspend associated with impairment and depreciation charges on the Welsh Government estate. Finally, there was a £6m underspend relating to pension charges for staff in the Local Government Pension Scheme which are dependent upon annual actuarial valuations and, therefore, difficult to forecast.

Net Cash Requirement

	Outturn 2016-17 £m	Outturn 2015-16 £m
Authorised for issue from Welsh Consolidated Fund	13,754	13,584
Funding drawn down	(13,507)	(13,471)
Undrawn funding	247	113

NOTES

Reconciliation of outturn and CSoCNE

	Outturn 2016-17 £m	Outturn 2015-16 £m
Net Resource Outturn	13,846	13,484
Less: Capital, loans & adjustments	(844)	(849)
Expenditure per the CSoCNE	13,002	12,635

Reconciliation of resources to cash requirement

	Budget 2016-17	Outturn 2016-17	Outturn compared with Budget	Outturn 2015-16
	£m	£m	£m	£m
Net resource outturn	14,061	13,846	215	13,484
Depreciation	206	257	(51)	(223)
Impairments	(292)	(321)	29	160
Movements in provisions	(203)	(194)	(9)	(26)
Movements in working capital	(18)	(76)	58	12
Other	-	43	(43)	72
Net cash requirement	13,754	13,555	199	13,479

Shan Morgan

Permanent Secretary and Principal Accounting Officer

Date: 2 August 2017

The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of Welsh Government and the Group for the year ended 31 March 2017 under the Government of Wales Act 2006. These comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Resource Outturn, the Losses Statement and the information in the Remuneration and Staff Report that is described in that report as having been audited.

Respective responsibilities of the Principal Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for preparing the financial statements, in accordance with the Government of Wales Act 2006 and HM Treasury directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit, certify and report on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Welsh Government and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Welsh Government and the Group; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I read all the financial and non-financial information in the Annual Report and the Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of Welsh Government and the Group's affairs as at 31 March 2017 and of its net cash requirement, net resource outturn and net operating cost for the year then ended; and
- have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 2006.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on other matters

In my opinion:

- the Statement of Resource Outturn, the Losses Statement and the part of the Remuneration and Staff Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government of Wales Act 2006; and
- the information in the Annual Report and the Accountability Report is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Governance Statement does not reflect compliance with HM Treasury guidance;
- adequate accounting records have not been kept;
- the financial statements, Statement of Resource Outturn, Losses Statement and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
3 August 2017

24 Cathedral Road
Cardiff
CF11 9LJ

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure For the year ended 31 March 2017

	Note	2016-17		Restated 2015-16	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Income from sale of goods and services		(33)	(49)	(37)	(51)
Other operating income		(1,655)	(1,964)	(1,663)	(1,930)
Total operating income	2	(1,688)	(2,013)	(1,700)	(1,981)
Staff costs	3	272	3,485	275	3,300
Expenditure	3	14,156	11,159	13,957	11,175
Provision expense	3	262	330	103	146
Total operating expenditure		14,690	14,974	14,335	14,621
Net expenditure for the year		13,002	12,961	12,635	12,640
Other comprehensive net expenditure					
Items which will not be reclassified to net operating costs:					
Net (gain)/loss on revaluation of property, plant and equipment		(548)	(560)	407	341
Actuarial (gain)/loss on pension scheme liabilities		(9)	(24)	(11)	(20)
Comprehensive net expenditure for the year		12,445	12,377	13,031	12,961

The Notes on pages 62 to 92 form part of these accounts

Consolidated Statement of Financial Position as at 31 March 2017

	Note	As at 31 March 2017		Restated As at 31 March 2016	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Non-current assets:					
Property, plant and equipment	4	16,265	19,168	15,233	18,087
Intangible assets	5	14	25	16	25
Financial assets	7	3,635	3,218	3,414	3,028
Trade and other receivables	9	15	301	14	233
Total non-current assets		19,929	22,712	18,677	21,373
Current assets:					
Assets classified as held for sale		-	4	-	3
Inventories	8	194	255	192	252
Trade and other receivables	9	236	380	309	415
Cash and cash equivalents	10	141	299	143	350
Total current assets		571	938	644	1,020
Total assets		20,500	23,650	19,321	22,393
Current liabilities:					
Trade and other payables	11	(824)	(1,592)	(820)	(1,549)
Provisions	12	(263)	(261)	(231)	(244)
Total current liabilities		(1,087)	(1,853)	(1,051)	(1,793)
Total assets less current liabilities		19,413	21,797	18,270	20,600
Non-current liabilities					
Trade and other payables	11	(115)	(181)	(125)	(192)
Provisions	12	(664)	(684)	(502)	(514)
Other liabilities	14	(83)	(118)	(74)	(104)
Total non current liabilities		(862)	(983)	(701)	(810)
Total assets less liabilities		18,551	20,814	17,569	19,790
Taxpayers' equity & other Reserves					
General fund		10,511	12,387	10,234	12,072
Revaluation reserve		8,040	8,427	7,335	7,718
Total equity		18,551	20,814	17,569	19,790

The Notes on pages 62 to 92 form part of these accounts

Shan Morgan

Permanent Secretary and Principal Accounting Officer

Date: 2 August 2017

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Consolidated Statement of Cash Flows for the year ended 31 March 2017

	Note	Year ended 31 March 2017		Restated Year ended 31 March 2016	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Cash flows from operating activities					
Net operating cost		(13,002)	(12,961)	(12,635)	(12,640)
Non-cash transactions		336	572	164	314
Income payable to Welsh Consolidated Fund		(1)	(1)	-	-
Movements in working capital other than cash	15	11	(97)	(77)	(61)
Use of provisions	12	(67)	(143)	(77)	(152)
Net cash outflow from operating activities		(12,723)	(12,630)	(12,625)	(12,539)
Cash flows from investing activities					
Purchase of property, plant and equipment		(284)	(474)	(258)	(443)
Proceeds of disposal of property, plant and equipment		4	7	2	3
Purchase of intangible assets		(1)	(5)	(1)	(4)
Purchase of development assets		(39)	(39)	(15)	(15)
Proceeds of disposal of development assets		28	28	36	36
Issue of loans and investments		(582)	(533)	(638)	(521)
Repayment of loans		95	95	89	93
Net cash outflow from investing activities		(779)	(921)	(785)	(851)
Cash flows from financing activities					
From Welsh Consolidated Fund (Supply) – current year		13,507	13,507	13,471	13,471
Capital element of payments for finance leases and on balance sheet PFI contracts		(9)	(9)	(9)	(9)
Net Financing		13,498	13,498	13,462	13,462
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the WCF		(4)	(53)	52	72
Movements in non-operating receipts due to be surrendered to Welsh Consolidated Fund		2	2	(122)	(122)
Net decrease in cash and cash equivalent in the period after adjustment for receipts and payments to the WCF	10	(2)	(51)	(70)	(50)
Cash and cash equivalents at the start of the year	10	143	350	213	400
Cash and cash equivalents at the end of the year	10	141	299	143	350

The Notes on pages 62 to 92 form part of these accounts

Welsh Government Group Statement of changes in Taxpayers' Equity

	General Fund £m	Revaluation Reserve £m	Total Reserves £m
Balance at 31 March 2015	11,875	7,419	19,294
Welsh Consolidated fund – net funding	13,471	-	13,471
Net operating cost for the year	(12,640)	-	(12,640)
Revaluation gains and losses	-	(341)	(341)
Transfers between Reserves	(640)	640	
Other adjustments	6	-	6
Balance at 31 March 2016	12,072	7,718	19,790
Welsh Consolidated fund – net funding	13,507	-	13,507
Net operating cost for the year	(12,961)	-	(12,961)
Revaluation gains and losses	-	560	560
Transfers between Reserves	(149)	149	-
Other adjustments	(82)	-	(82)
Balance at 31 March 2017	12,387	8,427	20,814

Welsh Government Core Statement of changes in Taxpayers' Equity

	General Fund £m	Revaluation Reserve £m	Total Reserves £m
Balance at 31 March 2015	10,063	7,092	17,155
Welsh Consolidated fund – net funding	13,471	-	13,471
Net operating cost for the year	(12,635)	-	(12,635)
Revaluation gains and losses	-	(407)	(407)
Transfers between Reserves	(650)	650	-
Other adjustments	(15)	-	(15)
Balance at 31 March 2016	10,234	7,335	17,569
Welsh Consolidated fund – net funding	13,507	-	13,507
Net operating cost for the year	(13,002)	-	(13,002)
Revaluation gains and losses	-	548	548
Transfers between Reserves	(157)	157	-
Other adjustments	(71)	-	(71)
Balance at 31 March 2017	10,511	8,040	18,551

The Notes on pages 62 to 92 form part of these accounts

Notes to the accounts

1. Statement of accounting policies

The consolidated financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Welsh Government for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Welsh Government (for the reportable activity) are described in Appendix A or as footnotes to the relevant note. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Welsh Government to prepare additional primary statements. The summary of Outturn which shows actual outturn against budget and supporting notes which reconcile outturn to net operating cost, and resources to cash requirement.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, investment property, and certain financial assets and liabilities.

1.2 Basis of Consolidation

The accounts comprise a consolidation of the Welsh Government, the seven Local Health Boards, Finance Wales plc, Regeneration Investment Fund for Wales LLP, WG Holdco Limited and Career Choices Dewis Gyrfa Limited. These consolidated organisations produce and publish their own annual reports and accounts. Subsidiary companies are consolidated from final accounts, apart from Finance Wales plc, there being no material difference between draft and final accounts. Transactions between entities included in the consolidation are eliminated.

Design Commission for Wales, Hybu Cig Cymru Cyf – Meat Promotion Wales Limited, Life Sciences Hub Wales Limited, Sector Development Wales Partnership Limited, Welsh Development Management Limited, Innovation Point Limited, Transport for Wales, International Business Wales Limited and Local Health Board NHS Charities have not been consolidated because their expenditure does not exceed £15m (2015-2016: £10m).

2. Operating Income

	Year ended 31 March 2017		Year ended 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Income from sale of goods and services				
Income from property and investments	26	28	31	34
Other	7	21	6	17
	33	49	37	51
Other non-EU operating income				
Inland Revenue health funding contributions	1,141	1,141	1,103	1,103
Student loans interest receivable	64	64	61	61
Health income	40	326	53	321
Other	26	32	19	16
Other EU operating income:				
European Structural Funds Programmes	100	118	182	184
Common Agricultural Policy	280	279	240	240
Other EU income	4	4	5	5
	1,655	1,964	1,663	1,930
	1,688	2,013	1,700	1,981

3. Expenditure

	Year ended 31 March 2017		Restated Year ended 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Expenditure				
Grants ¹	13,761	7,439	13,565	7,453
Goods and services ¹	296	3,415	309	3,497
Rentals under operating leases	8	32	9	44
PFI and other service concession arrangements	16	16	13	13
Student loan book fair value	306	306	(197)	(197)
Depreciation	(262)	(122)	219	358
Amortisation	5	8	3	6
Donated and government granted assets	-	(9)	-	(4)
Impairments	15	63	37	6
Loss on disposals	15	15	3	3
Pension finance	(3)	(3)	(3)	(3)
Release of EU grant	(1)	(1)	(1)	(1)
	14,156	11,159	13,957	11,175
Provisions				
Increase in provisions	262	330	103	146
	14,418	11,489	14,060	11,321

¹Expenditure on Grants and Goods and Services reflects the Ambit Resource Outturn allocation.

Staff Costs

A full breakdown of staff costs, including staff numbers and associated information, is provided within the Accountability Report of this document.

Audit Fees

The amount payable to the Auditor General for placing an opinion on the consolidated financial statements of the Welsh Government for 2016-17 is £379,141 (2015-16: £386,000) and has been included within Goods and Services disclosed above. Also included above are fees levied by the Auditor General for Wales in respect of other accounts prepared by Welsh Ministers as follows:

	Year ended 31 March 2017	Year ended 31 March 2016
	£	£
NHS Summarised Account	33,716	34,000
National Non Domestic Rate Account	9,951	9,950
Whole of Government Account	36,715	39,207
Welsh Consolidated Fund	16,475	16,475

Audit fees of consolidated bodies are disclosed within their individual accounts.

4. Property, plant and equipment

	Network Assets	Land	Buildings including Dwellings	Information Technology, Fixtures and Fittings	Payments on account & Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Cost or Valuation for the year ended 31 March 2016						
At 1 April 2015	17,952	386	2,279	760	503	21,880
Additions	60	8	19	45	294	426
Disposals	(7)	(1)	(1)	(38)	-	(47)
Transfers	-	1	-	-	(1)	-
Impairments	(25)	1	34	(4)	-	6
Revaluations	(527)	8	79	-	-	(440)
Reclassification	157	-	105	14	(285)	(9)
Restated as at 31 March 2016	17,610	403	2,515	777	511	21,816
Depreciation for the year ended 31 March 2016						
At 1 April 2015	2,754	-	236	513	2	3,505
Charged in year	209	-	82	66	-	357
Disposals	(1)	-	-	(38)	-	(39)
Impairments	1	-	3	-	-	4
Revaluations	(111)	-	13	-	-	(98)
Restated as at 31 March 2016	2,852	-	334	541	2	3,729
Restated carrying amount at 31 March 2016	14,758	403	2,181	236	509	18,087
Carrying amount at 31 March 2015	15,198	386	2,043	247	501	18,375
Asset financing: for the year ended 31 March 2016						
Owned	14,377	392	2,075	234	509	17,587
Finance Leased	-	-	12	1	-	13
On-balance sheet PFI contracts	381	11	94	1	-	487
At 31 March 2016	14,758	403	2,181	236	509	18,087

4. Property, plant and equipment (continued)

	Network Assets	Land	Buildings including Dwellings	Information Technology, Fixtures and Fittings	Payments on account & Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Cost or Valuation for the year ended 31 March 2017						
At 1 April 2016	17,610	403	2,515	777	511	21,816
Additions	89	-	33	90	298	510
Disposals	-	(2)	(7)	(63)	-	(72)
Transfers	(34)	-	-	(2)	-	(36)
Impairments	-	1	(46)	(4)	(15)	(64)
Revaluations	558	11	-	-	-	569
Reclassified to held for sale	-	(1)	-	-	-	(1)
Reclassification	1	1	163	11	(176)	-
At 31 March 2017	18,224	413	2,658	809	618	22,722
Depreciation for the year ended 31 March 2017						
At 1 April 2016	2,852	-	334	541	2	3,729
Charged in year	(271)	-	84	65	-	(122)
Disposals	-	-	(2)	(63)	-	(65)
Transfers	(5)	-	-	(2)	-	(7)
Impairments	-	-	3	-	-	3
Revaluations	13	-	3	-	-	16
At 31 March 2017	2,589	-	422	541	2	3,554
Carrying amount at 31 March 2017	15,635	413	2,236	268	616	19,168
Asset financing: for the year ended 31 March 2017						
Owned	15,204	401	2,143	266	616	18,630
Finance Leased	-	-	2	1	-	3
On-balance sheet PFI contracts	431	12	91	1	-	535
At 31 March 2017	15,635	413	2,236	268	616	19,168
Core department at 31 March 2017	15,635	33	123	30	444	16,265
LHB's and subsidiaries at 31 March 2017	-	380	2,113	238	172	2,903
Core department at 31 March 2016	14,758	35	127	29	284	15,233
LHB's and subsidiaries at 31 March 2016	-	368	2,054	207	225	2,854

4. Property, plant and equipment (continued)

Network Assets

During the year the valuation service supplier WDM Limited recommended a change in software used to estimate the residual life of Network Assets. This change was required as the previous software had reached its upper limit for future traffic prediction. The change aligns the Welsh Government with the rest of the UK, and leads to more accurate calculations for recommendations of maintenance treatment and residual life. The revised method has resulted in Network Assets having a longer estimated future life and therefore a one-off credit adjustment to depreciation was made in the year to reflect the current modelled prediction of total depreciated replacement cost.

Land and Buildings, including Dwellings

Most of the Welsh Government Core freehold land and buildings were valued on 31 March 2015 by GVA Grimley, Chartered Surveyors, on the basis of open market value for existing use in accordance with the 'Appraisal and Valuation Manual', produced jointly by the Royal Institute of Chartered Surveyors, the Incorporated Society of Valuers and Auctioneers and the Institute of Revenues Rating and Valuation. Freehold land and buildings and leasehold land and buildings, where the original lease was for greater

than 100 years, have been restated at open market value for existing use using professional valuations either every five years, or annually, with appropriate indices in intervening years for non-annual valuations. Specialised properties are valued on a depreciated replacement cost basis, in accordance with the 'Appraisal and Valuation Manual'. In intervening financial years, between the formal 5 yearly valuations, freehold land and buildings are valued using the latest available indices at March in each financial year to provide a reasonable estimate of valuation

The Welsh Government Group figures include the Local Health Board (LHB) Land and Buildings which were revalued by the District Valuation Service with an effective date of 1st April 2012. The valuation has been prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th edition. LHBs are required to apply the revaluation model set out in IAS 16 and value its capital assets at fair value. Fair value is defined by IAS16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in occupation.

5. Intangible assets

	Information Technology			
	As at 31 March 2017		Restated As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Cost or valuation				
At 1 April	40	63	31	52
Additions	1	5	1	3
Disposals	(15)	(15)	-	-
Reclassifications	2	2	8	8
At 31 March	28	55	40	63
Amortisation				
At 1 April	24	38	21	32
Charged in year	5	8	3	6
Disposals	(15)	(16)	-	-
At 31 March	14	30	24	38
Net Book Value at 31 March	14	25	16	25
Net Book Value at 1 April	16	25	10	20

6. WG Core Capital and other commitments

6.1 Capital commitments

Contracted capital commitments not otherwise included within these financial statements

	As at 31 March 2017		Restated As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Property, plant and equipment	201	289	255	343
Investments and loans	264	264	-	-
	465	553	255	343

6.2 Commitments under leases

6.2.1 Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below:

	As at 31 March 2017		As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Buildings				
Not later than one year	7	27	7	25
Later than one year and not later than five years	24	64	22	65
Later than five years	54	94	47	87
	85	185	76	177

6.2.2 Commitments under finance leases

Total future minimum lease payments under finance leases are given in the table below:

Minimum Lease Payments	As at 31 March 2017		As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Not later than one year	1	2	1	2
Later than one year and not later than five years	5	6	5	8
Later than five years	-	-	1	1
	6	8	7	11
Less interest element	(2)	(2)	(2)	(3)
	4	6	5	8

6.3 Commitments under PFI contracts

The Local Health Boards have ten PFI contracts, eight of which are on the Statement of Financial Position. Only one of these contracts has an individual total commitment of greater than £500m. Details of the individual schemes are included in the Local Health Board statutory accounts.

6.3.1 Off-balance sheet

Bute Avenue PFI contract

Since 2000 the Welsh Government has been committed to pay £5.1m annually, index linked, to the primary contractor associated with the Bute Avenue (PFI) project, until November 2025. The private sector partner maintains for 25 years (from 2000/01) the Bute Avenue road network. After this time the road will be transferred to Cardiff County Council. The road is not an asset of the Welsh Government. The total charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions was £8,460,103 (2015-16: £8,331,067); and the payments to which the Welsh Government is committed, are as follows:

	As at 31 March 2017	As at 31 March 2016
	£m	£m
Not later than one year	19	16
Later than one year and not later than five years	68	70
Later than five years	64	82
	151	168

6.3.2 On balance sheet

A55 PFI contract

The A55 road network is maintained by contractors for a period of 30 years (from 1998), after which time the ownership of the A55 will revert to the Welsh Government. The road is treated as an asset of the Welsh Government and unitary payments comprise of two elements – imputed finance lease charges and service charges.

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on balance sheet PFI or other service concession transactions was £7,807,773 (2015-16: £4,947,291). Total future obligations under on-balance sheet PFI and other service concession arrangements are given in the table below for each of the periods.

Minimum Lease Payments

	As at 31 March 2017	As at 31 March 2016
	£m	£m
Not later than one year	12	11
Later than one year and not later than five years	48	48
Later than five years	83	96
	143	155
Less Interest Element	(23)	(27)
	120	128

Service elements due in future periods

	As at 31 March 2017	As at 31 March 2016
	£m	£m
Not later than one year	10	8
Later than one year and not later than five years	32	34
Later than five years	24	33
	66	75

6.4 Other Financial Commitments

The Welsh Government has entered into non-cancellable contracts (which are not leases or PFI contracts) for services. The payments to which the Welsh Government is committed, analysed by the period during which the commitment expires are as follows:

	As at 31 March 2017		Restated As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Not later than one year	385	385	257	259
Later than one year and not later than five years	292	292	385	387
Later than five years	89	89	9	9
	766	766	651	655

The Other Financial Commitments figures includes committed Capital Grants as at 31 March 2017, however, no data was collected for committed Capital Grants as at 31 March 2016, therefore it is not within the comparative.

The Welsh Government provides grant funding for a number of entities on an annual basis. These grants have been committed to within the latter part of the year ended 31 March 2017 in order to provide security to the recipient organisation. As they relate to the year ending 31 March 2018 and are funded by the Welsh Government's budget allocation for the year ending 31 March 2018 they have not been disclosed within the above commitments.

7. Financial assets - Investments and loans

	Student Loans	NHS Trusts Public Dividend Capital	Other Financial assets	Total
	£m	£m	£m	£m
Balance at 31 March 2015	2,029	158	178	2,365
Additions	394	9	118	521
Loan repayments	(96)	-	(21)	(117)
Capitalised interest	60	-	-	60
Fair value adjustment	198	-	1	199
Balance at 31 March 2016	2,585	167	276	3,028
Additions	439	8	109	556
Loan repayments	(108)	-	(14)	(122)
Capitalised interest	65	-	-	65
Fair value adjustment	(306)	-	(3)	(309)
Balance at 31 March 2017	2,675	175	368	3,218
WG Core only				
At 31 March 2017	2,675	175	785	3,635
At 31 March 2016	2,585	167	662	3,414

7.1 Student Loans

Student loans are recorded within Investments and loans at amortised cost. The gross book value is £3,560m, and the running total of impairments is £885m. This represents the gross value of the loans issued, discounted to net present value, calculated by the HE Student Loan Repayment Model (the model). The net present value calculation also takes into account an estimate of the value of student loans issued which will not be repaid because of policy reasons due to death, disability, age of the student or loan or other policies. The repayment model estimates the present value of future cash flows and irrecoverable amounts because of policy decisions. The carrying value is also considered to be a reasonable approximation of the fair value of student loans, in the absence of an active market, readily observable market trends or similar arm's length transactions.

Key assumptions used within the model are:

Variable	Assumption used
Discount rate	The Welsh Government have considered the principles under IAS 39 and have used the rate as set out in the PES paper, which is RPI plus 0.7%. This is the HM Treasury long term discount rate representing the Government's long term cost of capital.
RPI Inflation	The model uses RPI rates in line with OBR forecasts (received November 2016) until 2020-21. Future RPI is then assumed to be 3.27% from 2021-22 to 2034-35, and then a step change to 3.00% from 2035-36 onwards.
Graduate earnings	The Student Loan Repayment model assumes short-term average nominal earnings growth will be in line with OBR forecasts until 2022-23. Future earnings growth is then assumed to be 4.3% from 2026-27, as this is the long-term forecast, with a linear change from the 2023-24 value each year up to 2025-26. Additionally, the UK Government made a policy decision to freeze the £21,000 repayment threshold for all post 2012 loans for 5 years from 2016 to 2021.
Graduate Income Distribution	The model assumes future graduate income distributions will be similar to those of past graduates and are based on historical data for the Labour Force Survey, the British Household Panel and administrative data held by the Student Loans Company.
Base rates	The model assumes that Bank of England base rates will be in line with OBR forecasts until 2036-37, and then set at 4.9%. A base rate cap is applied to the base rate from 2016-17 onwards, reducing the base rate to the cap level between 2027-28 and 2035-36.
There are a number of other assumptions used in the modelling, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan books. Many of the assumptions are independent of each other and could change at the same time.	

Student loans are subject to credit risk and interest rate risk. Details are provided in Note A15.

7.2 NHS Trusts Public Dividend Capital

The Welsh Government issues financial instruments, in particular loans, to other public sector bodies in Wales such as NHS bodies. This lending occurs as part of its normal course of activities and the Welsh Government does not undertake any trading activity in these financial instruments. The Welsh Government has taken advantage of the exemption available for not accounting for short-term debtors and creditors. For issues of public dividend capital, fair value was calculated as the net assets of the recipient body (stated after deducting any provisions for liabilities and charges) less the amount of any loan included in the Statement of Financial Position.

7.3 Other Financial Assets

Other financial assets comprise: Welsh Government financial interests in joint ventures, other loans and investments; Invest to Save loans with Local Authorities; and, assets held by Finance Wales PLC.

8. Inventories

	As at 31 March 2017		As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Development Assets	165	165	161	161
Drugs	24	47	26	48
Telecommunication spares	2	2	3	3
Road salt	2	2	2	2
Other consumables	1	39	-	38
	194	255	192	252

9. Trade receivables, financial and other assets

	As at 31 March 2017		Restated As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Amounts falling due within one year:				
Trade receivables	99	213	162	230
Other tax	16	16	15	15
Prepayments and accrued income	121	151	132	170
EU accrued income	-	-	-	-
	236	380	309	415
Amounts falling due after more than one year:				
Trade receivables	11	19	13	13
Prepayments	4	4	1	1
Other receivables	-	278	-	219
	15	301	14	233
Total trade receivables and other assets	251	681	323	648

10. Cash and cash equivalents

	As at 31 March 2017		As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Balance at 1 April	143	350	213	400
Net change in cash and cash equivalent balances	(2)	(51)	(70)	(50)
Balance at 31 March	141	299	143	350
The following balances were held at:				
Government Banking Service	139	153	142	154
Commercial banks & cash in hand	2	146	1	196
	141	299	143	350

11. Trade and other payables

	As at 31 March 2017		As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Amounts falling due within one year:				
Taxation and social security	6	61	5	48
Trade and other payables	488	860	466	799
Deferred European Union Income	56	56	61	61
Other accruals and deferred income	262	599	276	625
Amounts payable to the Welsh Consolidated Fund	3	3	3	3
Obligations under finance leases and PFI contracts	9	13	9	13
	824	1,592	820	1,549
Amounts falling due after more than one year:				
Obligations under PFI	110	177	120	187
Obligations under finance leases	5	4	5	5
	115	181	125	192
Total trade payables and other liabilities	939	1,773	945	1,741

12. Provisions for liabilities and charges

	As at 31 March 2017		Restated As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Balance at 1 April	733	758	707	764
Provided in the year	284	459	103	320
Provisions not required written back	(23)	(93)	-	(174)
Transfer	-	(36)	-	-
Provisions utilised in year	(67)	(143)	(77)	(152)
Balance at 31 March	927	945	733	758
Analysis of expected timing of discounted flows:				
Not later than one year	263	261	231	244
Later than one year and not later than five years	253	322	204	219
Later than 5 years	411	362	298	295
Balance at 31 March	927	945	733	758

WG Group Only

	Other £m	Health £m	Total £m
Analysis of expected timing of discounted flows:			
Not later than one year	3	258	261
Later than one year and not later than five years	-	322	322
Later than 5 years	-	362	362
	3	942	945

The above WG Group figures are not significantly different from those for the Core.

(i) Other Provisions

This includes various potential pension and employment liabilities in respect of previous employees and various commercially sensitive provisions which underwrite projects with the aim of improving economic growth prospects.

(ii) Health Provisions

The Welsh Government has various minor health related provisions including LHB employment liabilities, the Skipton Fund (Hepatitis C infection claims) and the NHS Electronic Staff Records system; as well as expected future re-imbursements of the Welsh Risk Pool. The Welsh Risk Pool (WRP) assists Welsh NHS bodies with risk management and settlement of disputed claims for alleged medical or employer negligence. The Welsh Risk Pool balance as at 31 March 2017 is £867m (2015-16: £682m).

The Welsh Risk Pool provision has seen a substantial increase in 2016-17 of £185 million.

A significant proportion of this increase is due to the impact of changes in the personal injury discount rate announced by the Lord Chancellor on 27th February 2017, effective from 20th March 2017. The rate changed from 2.5% (the level maintained since 2001) to -0.75%. The decision will result in higher pay outs for the lump sum element of personal injury claims, including those affected by medical negligence. Few Welsh Risk Pool claims have been settled since the introduction of the new rate, however the claims assessed as requiring a provision at 31 March 2017 have been adjusted to reflect the expected impact of the rate upon settlement, increasing the provision for future liabilities this financial year.

The expected timing of discounted flows is based on best available information; but could change depending on the circumstances of the individual cases.

13. Contingent Liabilities

	As at 31 March 2017		Restated As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Legal Claims – alleged medical/ employer negligence	854	891	787	852
Potential contractual obligations under the WDA Act 1975	10	10	10	10
Other legal and contractual claims	39	70	11	11
	903	971	808	873

Legal Claims – alleged medical/employer negligence (restated)

This note has been amended to reflect that under the Wales Act 2006 the Welsh Government must meet the liabilities of the Welsh Risk Pool should the NHS bodies cease to exist.

Other legal and contractual claims

Details on restricted and as yet un-quantified potential liabilities are not shown due to their sensitivity to commercial and legal confidentiality.

Unquantified contingent liabilities

Final claims to the EC will not be agreed for some years. Should the value of the Euro weaken significantly in that period, the flexibility within programmes may not be sufficient to contain all potential exchange losses. It is not possible to assign a value due to the range of variables.

Financial guarantees, Indemnities and Letters of Comfort

The Welsh Government has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote.

Guarantees:

In special circumstances the Welsh Government acts as a guarantor for its sponsored bodies. None of these guarantees are material.

Indemnities:

The Welsh Government has indemnified the Secretary of State against all actions, proceedings, costs, claims and demands by third parties in respect of: any damage or liability caused by or arising from the Joint Parties Agreement regarding Arriva Trains Wales. The possibility of the liability maturing is assessed as remote.

The Welsh Government has committed to indemnify Housing Stock Transfer organisations against the financial consequences of any future withdrawal of, or amendment to the VAT Mitigation Scheme. The liabilities cover eight organisations for £411.7 million and the period of liability varies. There are no current concerns regarding the continuation of the scheme, and the potential of the liability maturing is considered to be too remote to include as a contingent liability.

The Government Indemnity Scheme provides indemnities to enable the National Library of Wales, the National Museum of Wales, and other eligible institutions to borrow objects and artworks. The probability of these guarantees being acted on is counted as too remote to be included as a contingent liability. The value of these guarantees at 31 March 2017 was £42 million.

Letters of comfort:

The Welsh Government has a maximum liability to underwrite at last resort, costs regarding contaminated land at the Brofiscin tip of £0.5 million.

Other:

Details on restricted and as yet un-quantified potential liabilities are not shown due to their sensitivity to commercial and legal confidentiality.

14. Other liabilities

	As at 31 March 2017		As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Pension fund deficits	72	107	63	83
National Loans Fund (falling due after 5 years)	11	11	11	11
Finance Wales bank loans	-	-	-	10
	83	118	74	104

15. Movements in working capital other than cash

	As at 31 March 2017		Restated As at 31 March 2016	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
(Increase)/decrease in inventories	(3)	(3)	24	24
(Increase)/decrease in receivables:				
current	73	35	(65)	(29)
non-current	(1)	(68)	-	(127)
Increase/(decrease)in payables:				
current	5	44	(71)	26
non-current	(9)	(20)	(9)	(20)
	65	(12)	(121)	(126)
Student Loans interest	(65)	(65)	(60)	(60)
Development assets movement	5	5	(25)	(25)
Adjustments for accrual movement: fixed assets	-	(31)	(1)	20
PFI/Finance lease capital element	9	9	9	9
Other adjustment	-	-	(1)	(1)
Less movement in amounts payable to the Welsh Consolidated Fund and other non-operating cost balances	(3)	(3)	122	122
	11	(97)	(77)	(61)

16. Related Party Transactions

The Welsh Government receives most of its funding from the Welsh Consolidated Fund.

The Welsh Government funds its Welsh Local Authorities, NHS bodies in Wales, subsidiary companies and Sponsored Bodies. These bodies are regarded as related parties with which the Welsh Government has had various material transactions during the period. In addition, the Welsh Government has had a number of transactions with other government departments and central government bodies primarily, the Welsh Office, the Rural Payments Agency and the Department for Work and Pensions.

None of the Welsh Ministers, key managerial staff or other related parties has undertaken any material transactions with the Welsh Government during the year, except as noted below:

Lesley Griffiths (Cabinet Secretary for Environment and Rural Affairs) and **Ken Skates** (Cabinet Secretary for Economy and Infrastructure) are both Vice-Presidents of the Llangollen International Eisteddfod which received £4,037 in 2016-17.

The husband of **Kirsty Williams** (Cabinet Secretary for Education) is a partner in a farming business which in 2016-17 received £65,851 support under the EU's Common Agriculture Policy and the Welsh Government's Glastir scheme for common land.

James Price, Peter Kennedy and **Sioned Evans** (board members) are also on the board of Transport for Wales which received grant funding of £8,889,957.

The husband of **Gillian Baranski** (board member) is a partner in the legal company Geldards LLP who competed for a procurement contract for Legal Services with the Welsh Government. The company was paid £2,178,489 in 2016-17 for these Legal services.

Sir Adrian Webb (non-executive director) is the Chair of the Big Lottery Fund which received funding in 2016-17 of £2,766,058 from Communities programmes.

James Turner (non-executive director) is also a non-executive director of Aber Instruments which received Welsh Government funding of £2,079 in 2016-17.

Related party transactions of the Local Health Boards in Wales and other subsidiary companies are disclosed in their own published accounts.

16.1 Results of Consolidated wholly owned companies

	Year ended 31 March 2017		Year ended 31 March 2016	
	Profit/(Loss) £	Share Capital & Reserves £	Profit/(Loss) £	Share Capital & Reserves £
Finance Wales PLC (i)	13,374,878	125,561,047	(1,336,066)	105,565,806
Regeneration Investment Fund for Wales LLP	5,145,738	35,165,845	(199,315)	30,020,116
WGC Holdco Limited	Nil	55,300,000	Nil	55,300,000
Careers Choices Dewis Gyrfa Limited	(1,852,000)	(27,679,000)	(1,256,000)	(14,562,000)

(i) Investment of 49,999 ordinary £1 shares, 25p part paid. These accounts have been consolidated using draft figures, being not materially different to those disclosed.

16.2 Associate Undertakings

The Welsh Government had an interest in Welsh Industrial Partnership LLP, an associate

undertaking; with no significant influence (49%). The company was dissolved on 20/12/2016.

16.3 Other minor subsidiaries and interests

The Welsh Government has a number of other minor subsidiaries for which no trading results are disclosed in these consolidated accounts. These include:

- DCFW Limited - Design Commission for Wales / Comisiwn Dylunio Cymru
- Hybu Cig Cymru Cyf / Meat Promotion Wales Limited
- Sector Development Wales Partnership Limited
- Life Sciences Hub Wales Limited
- Welsh Development Management Limited
- International Business Wales Limited
- Innovation Point Limited
- Transport for Wales

The Welsh Government owns 50% of the issued share capital of the International Convention Centre Wales Limited, with the other 50% being held by The Celtic Manor Resort Limited.

Student Loans Company Limited - one share with a nominal value of £1. Joint ownership is held with the Department for Education, Scottish Government and Northern Ireland Government. The share gives the Welsh Government 5% holding in the company.

Airbus Group Endeavr Wales (formerly EADS Foundation Wales) – a joint interest in a company limited by guarantee. Joint ownership is held with Airbus Defence and Space Ltd (formerly Cassidian Holdings Limited) and Cardiff University.

Local Health Board NHS charities are not included in the consolidated accounts as the balances are not material.

17. Restatement of 2015-16 Comprehensive Net Expenditure and Statement of Financial Position

Changes in Accounting Policy

Further to application guidance by HM Treasury on IAS 16 Property, Plant and Equipment published in 2014 the treatment of maintenance expenditure that maintains the service potential of the road network has been capitalised. This required the 2015-16 figures to be restated. This has not resulted in any net material differences to the amounts and balances reported for the financial year ended 31 March 2016.

Other prior period adjustments

The 2015-16 Trade Debtors have been restated to reflect debts that were due in excess of one year. The timing of provisions for the Welsh Risk Pool have been restated for 2015-16 replacing draft figures with final figures, and to reflect provisions due in less than one year. This has not resulted in any net material differences to the amounts and balances reported for the financial year ended 31 March 2016.

	Balance at 31 March 2016 per 2015-16 signed accounts	Changes in Accounting Policy	Other prior period adjustments	Restated balance as at 31 March 2016
WG Core	£m	£m	£m	£m
Consolidated Statement of Comprehensive Net Expenditure				
Goods and Services	369	(60)	-	309
Depreciation	159	60	-	219
Consolidated Statement of Comprehensive Financial Position				
Network Assets at cost: Additions	-	60	-	60
Network Assets at cost: Revaluations	(467)	(60)	-	(527)
Amounts falling due within one year: Trade and other receivables	175	-	(13)	162
Amounts falling due after more than one year: Trade and other receivables	-	-	14	14
Current liabilities: provisions	-	-	(231)	(231)
Non-current liabilities: provisions	(733)	-	231	(502)

WG Goup	£m	£m	£m	£m
Consolidated Statement of Comprehensive Net Expenditure				
Goods and Services	3,557	(60)	-	3,497
Depreciation	298	60	-	358
Consolidated Statement of Comprehensive Financial Position				
Network Assets at cost: Additions	-	60	-	60
Network Assets at cost: Revaluations	(467)	(60)	-	(527)
Amounts falling due within one year: Trade receivables	243	-	(13)	230
Amounts falling due after more than one year: Trade receivables	-	-	13	13
Current liabilities: provisions	-	-	(244)	(244)
Non-current liabilities: provisions	(758)	-	244	(514)

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Appendix A – Accounting Policies

A.1 Property, Plant and Equipment

Land and buildings (including Dwellings)

The Welsh Government and its related bodies capitalise freehold property where it is retained for use by the organisation itself. Leased property, where the original lease was for less than 100 years, is treated as a revenue cost. Freehold land and buildings and leasehold land and buildings, where the original lease was for greater than 100 years, have been restated at open market value for existing use using professional valuations either every five years, or annually, with appropriate indices in intervening years for non-annual valuations. The exception is properties of a specialised nature held at depreciated replacement cost. The indices used were taken from the latest available Investment Property Databank (IPD) Monthly Index for Midlands and Wales.

Network Assets

The road network is valued at its depreciated replacement cost in line with the guidance in the Financial Reporting Manual for specialist assets for which market valuations are not available. To produce this valuation requires the use of assumptions, estimates and professional judgement. The model used to produce the valuation is known as the Roads Authorities' Asset Valuation Systems (RAAVS), run by external consultants W.S. Atkins. External professional surveyors undertake a full valuation of the network at intervals not exceeding five years. This valuation was carried out in 2014-15. Interim valuations use a series of standard costs to value the individual components of the network assets and indices to revalue these on an annual basis.

The trunk road network is recognised as a single infrastructure asset in accordance with the applicable guidance outlined in the FReM. However, it comprises four distinct

elements that are accounted for differently: land; the road pavement; structures (such as bridges and culverts); and communications (such as variable message signs).

The road pavement element is valued using agreed rates determined to identify the gross replacement cost of applicable types of road on the basis of new construction on a green-field site. These rates are re-valued annually using indices to reflect current prices.

Structures are valued using agreed rates determined to identify the replacement cost of applicable types of structure on the basis of new construction on a green-field site where these are available but special structures, which tend to be one off by their nature, are valued using specific costs that are updated to current prices.

Communications are valued using agreed rates determined to identify the replacement cost of applicable types of communications.

All maintenance that maintains the service potential of the road network will be capitalised. Subsequent expenditure that adds to the service or life of the road network is capitalised.

New roads are reclassified from Assets under Construction when the structural details have been provided by the Agent authority to input into model, which may be some time after the road has opened.

Transfers of the responsibility for maintaining sections of the road as part of the trunk road network from or to the local authority network are referred to as 'trunkings' or 'de-trunkings' respectively. The trunking or de-trunking of roads from or to local authorities is treated as a transfer from or to other government departments. Roads and structures de-trunked are effectively dealt with as disposals in accounting terms at nil consideration. The associated profit or loss is processed through the general fund.

The indexation factors applied are:

Road Pavement and Structures	Baxter Index
Communications	Baxter Index
Land	Land indices produced by Valuation Office Agency

Upwards movements in value are taken to the revaluation reserve. Downward movements in value are set off against any credit balance held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Statement of Comprehensive Net Expenditure.

Information Technology and Fixtures and Fittings

Information technology and fixtures and fittings (which include vehicles, plant and equipment), are at historical cost. As these asset classes have a short useful economic life, reliable revaluations of these assets could only be obtained at prohibitive cost. No significant estimation techniques are used in the valuation of these asset classes.

Heritage Assets

The Welsh Government holds a number of non-operational heritage assets where the cultural, educational and historical value is unlikely to be fully reflected in a financial value derived from a market mechanism or price. These assets are of a specialist nature and reliable valuations either cannot be obtained or could only be obtained at a prohibitive cost. The Welsh Government, therefore, does not capitalise these assets in the accounts.

The minimum level for capitalisation of individual assets and grouped assets is £5,000.

A.2 Depreciation

The depreciation charge for the roads network consists of three elements:

- annual maintenance charge;

- an estimate of the permanent deterioration in the condition of the network in the year (which has been calculated by the computer model based on latest actual data on the condition of the network referred to in the non-current assets note above); and
- calculated depreciation of the structures and communications.

Depreciation is accounted for in respect of the road pavement by reference to the service potential assessed by condition surveys that are carried out over the whole network as part of a rolling programme that covers every section of road at least every five years. The annual depreciation charge for the road surface is the value of the service potential replaced through the maintenance programme, plus or minus any adjustment resulting from the annual condition survey. The Structures and Communications elements are depreciated using the straight line method applied to the re-valued replacement costs, and also inspected every five years to identify any other changes. Land is not depreciated.

Depreciation is provided at rates calculated to write-off the value of intangible assets and other property, plant and equipment assets by equal instalments over their estimated useful lives.

Lives are in the following ranges:

Network surface	20 to 50 years
Network structures	20 to 120 years
Network communication	15 years
Leasehold land & buildings	Remaining life
Dwellings	Remaining life
Freehold buildings	up to 60 years
Information technology	3 to 10 years
Intangible software assets	2 to 10 years
Fixtures & fittings	3 to 20 years

Freehold Land and Assets under construction are not depreciated.

Impairments of tangible fixed assets are charged to the Statement of Comprehensive Net Expenditure in the period in which they are incurred.

A.3 Research and Development

Research and development expenditure is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred, except where it relates to a clearly defined project and where the benefits can reasonably be regarded as assured. The expenditure deferred is limited to the value of future benefits expected and is amortised through the Statement of Comprehensive Net Expenditure on a systematic basis over the period expected to benefit from the project.

A.4 Financial Assets

Loans and Public Dividend Capital

Loans and Public Dividend Capital (PDC) issued to public bodies outside of the consolidated boundary are shown at historical cost less any necessary impairment to represent fair value. Other investments, in the form of joint ventures are shown at fair value.

Student Loans

The Welsh Government's accounting policy is to recognise an addition to the student loan book once the Student Loans Company (SLC) has issued the loan to the student. Student loan repayments are collected by the SLC and Her Majesty's Revenue and Customs (HMRC). For repayments made via the SLC, the Welsh Government recognises the repayment when the SLC has received the cash and updated the borrower record. For repayments collected via the tax system, this is recognised when the amounts which HMRC estimate as being due to the Welsh Government for the financial year are received. Student loans values are shown net

of estimated future write-offs in respect of the non-recovery of loans and are reviewed annually.

The carrying value is considered to be a reasonable approximation of the fair value of student loans, in the absence of an active market, readily observable market trends or similar arm's length transactions. This valuation technique is used to estimate the present value of future cash flows and an estimate of irrecoverable amounts because of policy decisions.

A statistical model is used to estimate the total value of the loans issued and future repayments by graduates. This makes a number of assumptions including the amount of loans that will be taken out, the earnings levels of Welsh graduates, interest rates, when loans will start to be repaid, the amount of loans that will have to be written off (due to age, death or policies such as partial cancellation and repayment thresholds) and how much repayments made in the future are worth in today's money (net present value). As a substantial asset, changes to the assumptions used in the modelling can have a large effect on the loan funding and the non-cash adjustments valuing the loan book.

The model holds data on the demographic and behavioural characteristics of students in order to predict their likely repayments of loans. The model depends on a complex set of assumptions, and particularly on borrowers' earnings. The model is long term in nature, but uses the latest Office for Budget Responsibility (OBR) short and long term forecasts for RPI, base rates and earnings growth. The valuation of the student loan book is uncertain as it is highly dependent on macroeconomic circumstances and graduate earnings over the next 30 years, as well as a number of other complex assumptions, for around four million borrowers. Further information on the core assumptions and a simplified model is provided on the Department for Education website.

The forecasting model for Wales contains the same main assumptions as England. However, there are a number of specific Wales only amendments that are made to reflect information and policies that are unique to Wales. The main differences are as follows:

- The inclusion of Welsh borrower data from the SLC
- The inclusion of Welsh student number projections
- The inclusion of information relating to loans for Welsh students; and the.
- Partial cancellation of student loans scheme.

Each year the carrying value of HE loans in the accounts is compared with the latest outputs from the HE student loan repayment model, which is re-run using current assumptions. If there is a significant difference, a review is undertaken to determine the reasons for the variance. The carrying value would only be adjusted if there is sufficient evidence to suggest that the divergence constituted a permanent reduction in the carrying value.

Non-current Assets

Non-current assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and this should be expected to be completed within one year from the date of classification. Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

A.5 Inventories

Development assets, comprising land held for future development and built properties not required for own use, which are held with the ultimate intention for resale, are shown at the lower of historic cost and professional asset valuation, any impairment on revaluation being written off to the SOCNE. Material reversals of prior year impairments are written back to the SOCNE where there is current evidence of increased value resulting from earlier year's expenditure.

Other Inventories are valued at the lower of replacement cost and net realisable value. The Welsh Government does not consider there to be a material difference between the replacement cost and historic cost of stocks. Stocks with a finite useful life are written-off at the end of their lives.

A.6 Operating Income

Operating income relates directly to the operating activities of the Welsh Government and the related bodies.

Revenue from the European Union in respect of the European programmes, funds and initiatives is brought to account in line with grants payable in respect of these amounts and is shown in Note 2. The funds are paid to the Welsh European Funding Office. These funds are then transferred to the relevant department within the Welsh Government and are accounted for within Note 3.

Health revenue includes Health Funding Contributions payable by HM Revenue and Customs which are subject to audit by the National Audit Office. The audit of these transactions had not been completed by the time these accounts were produced. Any adjustments arising from the audit will therefore be made in future accounting periods. These are not likely to be material.

A.7 Value Added Tax (VAT)

The Welsh Government recovers some elements of VAT for business services and contracted out services. For other goods and services expenditure these are recorded inclusive of VAT

A.8 Pensions

The majority of present and past employees of the Welsh Government are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described within the Accountability Report. The defined benefit elements of the scheme are unfunded. The Welsh Government recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Welsh Government recognises the contributions payable for the year. All actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised through reserves in the period in which they arise.

Some former Welsh Development Agency staff, current Finance Wales PLC staff and Career Choices staff participate in a number of Local Government Pension Schemes in Wales which are multi-employer funded schemes.

Some Welsh Government staff contribute to: Department of Health and the Nurses Welfare Trust; and the West Yorkshire Pension Scheme administered by the City of Bradford Metropolitan District Council.

Employees of Local Health Boards participate in the NHS pension scheme. Information on this scheme can be found in the LHB Summarised Accounts.

A.9 Early departure costs

The Welsh Government is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Welsh Government provides in full for this cost when the early retirement programme has been announced and is binding. The Welsh Government may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Government Banking Service at the Bank of England for the credit of the Civil Superannuation Vote. Similar arrangements are in place for LHB employees who retire early.

For pre-merger employees and ex-employees of the former Welsh Development Agency in the Rhondda Cynon Taff Pension Scheme, the Welsh Government meets the additional cost of benefits beyond the scheme benefits in respect of employees who retire early.

A.10 Operating leases

Expenditure on non-capitalised operating leases, including land and buildings, is charged to the Statement of Comprehensive Net Expenditure in the period to which it relates.

A.11 Grants

Grants payable or paid are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.

A.12 Private Finance Initiative / Public Private Partnership transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession

arrangements, following the principles of the requirements of IFRIC 12. The LHB, therefore, recognises the PFI asset as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the PFI asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

The fair value of services received in the year is recorded under the relevant expenditure headings within programme costs.

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently the assets are measured at fair value, which is kept up to date in accordance with the principles of IAS 16.

The PFI liability is recognised at the same time as the PFI asset. This is measured at the same amount as the fair value of the PFI assets and is subsequently measured as finance lease in accordance with IAS 17. An annual finance cost is calculated by applying the implicit interest rate in the lease to the operating lease liability for the period and is charged to Income. The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

A.13 Exchange Rate Gains and Losses

The Welsh European Funding Office requests programme funding from the European Commission at the Euro equivalent level to the sterling required and pays out funds in sterling. The exchange gain or loss on these transactions is calculated and accounted for in line with IAS 21.

Other transactions in foreign currencies are translated into sterling at the rate of exchange ruling at that date. Exchange differences are taken into account in the Statement of Comprehensive Net Expenditure.

A.14 Provisions

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions for liabilities and charges are made at the year-end where present legal or constructive obligation exists (ie a present obligation arising from past events), the outflow of resources that will be required to settle the obligation is probable and a reasonable estimate of the obligation can be made.

Where the time value of money is material, provisions are discounted to present value using HM Treasury's real discount rates.

A.15 Financial Instruments

IFRS 7: requires the disclosure of information which allows the user to evaluate the significance of financial instruments on financial performance, and the nature and extent of its exposure to risks arising from financial instruments.

As the majority of the Welsh Government's resources are met by the Welsh Consolidated Fund, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

Credit Risk

The Welsh Government's objective is full recovery of debt, which we actively pursue. The policy is to operate normal credit control procedures for the management of risk of default by trade debtors through the Accounts Receivable function. Due to the nature and value of debtors, the credit risk associated is deemed as minor. Provisions for doubtful debts are made once debts are over 6 months old.

The Welsh Government has a statutory obligation to issue student loans, and is not permitted to withhold loans on the basis of poor credit rating. Exposure to the risk of non-repayment of loans is managed and monitored, and the impact is accounted for via an annual impairment review.

Market Risk

Foreign Currency Risk - the Welsh Government is exposed to negligible currency risk on its foreign currency transactions, except for funds received from the European Union to the Welsh European Funding Office. Private sector mitigation options are not available. However, total funding received from the European Commission is managed to ensure the available funding is flexibly allocated to projects, enabling targeted expenditure levels to be met. Funding claims from the Commission are also prompt to limit delays between incurring expenditure and its reimbursement.

Interest Rate Risk

The amount of student loan interest repayable is subject to the fluctuations in the market interest rate and RPI. This can lead to a risk in accurately forecasting the amount of interest payable and therefore the possible impairment of future cash flows.

Liquidity Risk

The Welsh Government only borrows from the National Loans Fund, and relies primarily on

funding received from Parliament via the Welsh Consolidated Fund for its cash requirements. There is no reason to believe that future funding will not be forthcoming, therefore on this basis it is not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency rate risk other than the risks arising from receipt of funds from the European Commission in Euros.

A.16 Newly issued accounting standards not yet effective

A number of revised and new accounting standards and interpretations have been issued but are not yet effective and have therefore not been adopted in these accounts, currently being considered by the Financial Reporting Advisory Board (FRAB) for inclusion within a future Financial Reporting Manual (FReM).

Standards which may have a material impact if adopted are:

IFRS 12 Disclosure of interests in other entities – clarifies the disclosure requirements around assets held for sale, held for distribution or as a discontinued operation in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

IFRS 9 Financial Instruments - IFRS 9 addresses classification, measurement and impairment of financial assets and is still under consideration by HM Treasury with a view to adopt within the 2018-19 FReM.

IFRS 15 Revenue from Contracts with Customers – IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This standard will be included within the 2018-19 FReM.

IFRS 16 Leases - effective 1 January 2019. IFRS 16 will provide a single model for all leases that will bring all leases on Statement on Financial Position unless the lease term is 12 months or less or the underlying asset has a low value. HM Treasury are reviewing the implications of this amendment on the UK Public Sector with a view to include in the 2019-20 FReM.

Standards which are not considered to have a future material impact are:

- IFRS 1 First time adoption of IFRS
- IFRS 4 Insurance Contracts adapted for IFRS 9
- IAS 28 Investments in associates and joint ventures
- IFRS 2 Share based payment
- IFRS 17 Insurance Contracts to replace IFRS 4
- IAS 7 Statement of Cash Flows
- IAS 12 Income Taxes
- IAS 40 Investment Property Transfers of Investment Property
- IFRIC Interpretation: 22: Foreign Currency Transactions and Advance Consideration

Appendix B - Glossary (Unaudited)

Amortisation – this is the method of spreading the cost of a non-current intangible asset over its useful life.

Annually Managed Expenditure (AME) – this is a separate annually managed spending limit called AME which has a shorter term view than the DEL limit. AME is more volatile than DEL expenditure and therefore is more difficult to explain or control as it is spent on programmes which are demand-led.

Capital spending - spending on the purchase of assets, above a certain threshold, which are expected to be used for a period of at least one year. It includes the purchase of buildings, equipment and land. The threshold is set by each body: items valued below it are not counted as capital assets, even if they do have a productive life of more than one year.

CFER – Consolidated Fund Extra Receipts

This is income which cannot be retained and is passed over to HM Treasury.

Contingent liabilities – contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Welsh Government's control. An example is legal action where the Welsh Government may need to pay legal costs if it loses the case. These details are not disclosed if doing so could seriously prejudice the outcome of legal claims.

Departmental Expenditure Limits (DEL) – this is the spending budget which is allocated to the Welsh Government by the Spending Review. It is normally categorised as capital DEL and resource DEL. This expenditure includes the running of the services and the everyday cost of resources such as staff. The DEL limit is tightly controlled by HM Treasury. Expenditure is deemed to be DEL unless HM Treasury has specified otherwise.

Depreciation - a measure of the wearing out, consumption or other reduction in the useful life of a fixed asset whether arising from use, passage of time or obsolescence through technological or market changes.

Devolved administrations - the administrations established in Scotland, Wales and Northern Ireland under the Scotland Act 1998, the Government of Wales Act 1998 and the Northern Ireland Act 1998.

FReM – Financial Reporting Manual. This is the HM Treasury technical accounting guide to the preparation of financial statements for government.

IFRS – International Financial Reporting Standards. The Financial Statements of Government adopted IFRS from 2009-10 as the basis for preparation of their accounts which were previously prepared under UK- based Generally Accepted Accounting Principles (UK GAAP).

Intangible – intangible assets are non-physical assets, for example, developed computer software and website development costs.

Losses – losses are made up of remissions and write-offs. Remission is the process used to identify and separate receivables which the Welsh Government has decided not to pursue, for example on the grounds of value for money. Write-offs are receivables that are considered to be irrecoverable, for example because there is no practical means for pursuing them.

PFI – Private Finance Initiative (PFI) is a way of creating 'public-private partnerships' by funding public infrastructure projects with private capital.

Provisions for liabilities – provisions are recognised when the Welsh Government has a present legal or constructive obligation as a result of a past event, it is probable that the obligation will be settled and an amount has been reliably estimated.

Resource accounting - the system under which budgets, Estimates and accounts are constructed in a similar way to commercial audited accounts, so that both plans and records of expenditure allow in full for the goods and services which are to be, or have been, consumed - i.e. not just the cash expended.

Total Managed Expenditure, TME - a Treasury budgeting term which covers all current and capital spending carried out by the public sector.

Welsh Consolidated Fund - a neutral place to hold the public money allocated to Wales by the UK Government, via the Secretary of State for Wales, and also that received from other sources.

Welsh Government Sponsored Bodies (WGSBs) - the name in Wales for Non Departmental Public Bodies established by the Welsh Ministers.

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Shan Morgan
Secretary signs
Ysgrifennydd Parhaol



Llywodraeth Cymru
Welsh Government

Nick Ramsay AC
Y Pwyllgor Cyfrifon Cyhoeddus
Cynulliad Cenedlaethol Cymru
Bae Caerdydd
CF99 1NA

Awst 2017

Auauwyl Caerdydd,

Ysgrifennaf atoch mewn ymateb i waith craffu'r Pwyllgor ar Gyfrifon Blynyddol 2015-16 Llywodraeth Cymru, ac yn benodol mewn perthynas ag Argymhelliad 12:

Mae'r Pwyllgor yn argymhell bod Llywodraeth Cymru yn rhoi diweddariad cyn craffu ar gyfrifon y flwyddyn nesaf ar fanylion y trefniadau a roddwyd ar waith i gryfhau'r system o ran gweinyddu taliadau teithio rhatach.

Derbyniwyd yr Argymhelliad fel a ganlyn:

Mae Llywodraeth Cymru yn olrhain gwelliannau i'r broses a'r trefniadau rheoli a roddwyd ar waith mewn perthynas â thocynnau teithio rhatach. Bydd Llywodraeth Cymru yn rhoi'r wybodaeth ddiweddaraf i'r Pwyllgor Cyfrifon Cyhoeddus y tro nesaf y bydd yn ystyried materion cyfrifyddu, cyn craffu ar gyfrifon 2016-17, neu yn unol â chais y Pwyllgor Cyfrifon Cyhoeddus.

Bydd y Cyfrifon Blynyddol ar gyfer 2016-17 yn cael eu cyhoeddi cyn bo hir. Gweler isod ymateb i argymhelliad y Pwyllgor. Rwy'n gobeithio y bydd y gronoleg a ddarperir hefyd yn mynd i'r afael â'r cwestiynau a godwyd mewn perthynas ag adroddiad ATCO 2012 ar ardal Gwynedd, a godwyd gan Lee Waters AC yn dilyn sesiwn ymadael fy rhagflaenydd ym mis Tachwedd y llynedd.



**BUDDSODDWYR | INVESTORS
MEWN POBL | IN PEOPLE**

Parc Cathays • Cathays Park
Caerdydd • Cardiff
CF10 3NQ
Ffôn • Tel 03000258289
PS.PermanentSecretary@gov.wales
Gwefan • Website: www.gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding

Tudalen y pecyn 201

Crynodeb o weithrediad y cynllun

Mae adran 93 o Ddeddf Trafnidiaeth 1985 yn gwneud awdurdodau lleol yn gyfrifol am weinyddu cynlluniau teithio rhatach, gan gynnwys ad-dalu gweithredwyr bysiau. Cyflwynwyd cynllun tocynnau teithio rhatach gorfodol Llywodraeth Cymru ar gyfer bysiau yn 2002. Mae'r cynllun gorfodol yn berthnasol drwy gydol y dydd i unrhyw wasanaeth bws lleol sy'n gweithredu. Mae'n rhaid i'r awdurdodau lleol sicrhau nad yw'r gweithredwyr bysiau hynny yn ddim gwell na gwaeth eu byd. Mae awdurdodau lleol yn derbyn anfonebau'r cwmnïau bysiau ac mae rheidwydd arnynt i'w gwirio. Yna bydd yr awdurdodau'n talu'r anfonebau hynny ac yn hawlio'r symiau hynny yn ôl gan Lywodraeth Cymru.

Yn ystod oes y cynllun, mae Llywodraeth Cymru wedi cychwyn adolygiadau o'r fformiwla y mae awdurdodau lleol yn ei defnyddio i gyfrifo'r ad-daliad y mae'n rhaid iddynt ei dalu i weithredwyr gwasanaethau bysiau. Nid honiadau o dwyll a oedd yn gyfrifol am ysgogi'r adolygiadau hynny. Yn hytrach roeddent yn rhan o broses gadarnhau bod awdurdodau lleol yn parhau i gydymffurfio â'u dyletswydd i sicrhau nad yw'r gweithredwyr yn ddim gwell na gwaeth eu byd, a diogelu arian cyhoeddus.

Er gwybodaeth, mae'r fformiwla fel a ganlyn:

£	=	Nifer y teithiau	x	Tocyn Teithio Rhatach Cynrychioliadol	x	Cyfradd Ad-dalu
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Nifer y teithiau yw'r rhai a gofnodir yn electronig neu â llaw bob tro y bydd deiliad cerdyn teithio yn mynd ar daith. Mae'r Tocyn Teithio Rhatach Cynrychioliadol yn adlewyrchu hyn y byddai'n rhaid i ddeiliad y cerdyn ei dalu fel arall, ac mae'r Gyfradd Ad-dalu yn ystyried y teithiau a gynhyrchir a chostau ychwanegol i'r gweithredwr.

Cronoleg

Yn ystod 2011, aeth sibrydion ar led ynghylch anghysondebau posibl mewn hawliadau yn ardal Gwynedd. Cychwynnodd Llywodraeth Cymru adolygiad gan y Gymdeithas Swyddogion Cydlynu Trafnidiaeth (awdurdodau cyhoeddus) (ATCO), a gwblhawyd ym mis Tachwedd 2012. Daeth yr adroddiad i'r casgliad nad oedd digon o ddata sylfaen i ddod i unrhyw gasgliad pendant bod y Tocynnau Teithio Rhatach Cynrychioliadol a ddefnyddiwyd gan Gyngor Gwynedd yn adlewyrchiad gwir a chywir o'r prisiau a godwyd ym mis Medi 2009. Argymhellwyd y dylid gwneud rhagor o waith archwilio, fodd bynnag cydnabuwyd y byddai angen darparu data sylfaen llawn er mwyn cynnal archwiliad manwl. Nid oedd y data angenrheidiol, na'r dechnoleg sydd ei hangen i'w dadansoddi, ar gael ar y pryd. Atgoffwyd yr awdurdodau lleol o'u cyfrifoldebau yn 2013, ond nid oedd

modd cymryd unrhyw gamau cyfreithiol penodol oherwydd na chanfuwyd tystiolaeth bendant o dwyll.

Yng ngwanwyn 2014 darganfu swyddogion achosion posibl o 'ddefnydd gormodol' o gerdyn teithio, ac yn dilyn ymchwiliadau pellach canfuwyd nad oedd hwn yn ddigwyddiad unigryw. Fodd bynnag, nid oedd yn bosibl mynd ar drywydd hyn ymhellach oherwydd cyfyngiadau'r systemau data a oedd ar gael ar y pryd. Yn ystod haf 2014 comisiynwyd offeryn dadansoddi a chymerodd hwnnw rhyw bedwar mis i'w ddatblygu. Yna penodwyd swyddog pwrpasol i oruchwyllo'r gwaith hwn, gan ganiatáu inni fonitro a herio lefelau defnydd y tocynnau teithio rhatach.

Comisiynwyd dilysiad annibynnol o'r negeseuon data rhwng peiriant y bws a'r system swyddfa gefn ac adroddwyd bod y cywirdeb rhwng y systemau yn ddim llai na 98%+ (ac yn y rhan fwyaf o achosion 100%). Caniatodd yr offeryn dadansoddi i swyddogion ofyn rhagor o gwestiynau ar sail y data ac roedd yn golygu y gallem adnabod y defnydd o gardiau teithio o fewn eiliadau. Defnyddiwyd yr offeryn dadansoddi i ddarparu data fel rhan o ymchwiliad yr heddlu i Padarn Bus ac mae wedi bod yn allweddol i wneud gwaith pellach i gryfhau mesurau a rheolaethau atal twyll a ddisgrifir isod.

Gwaith Archwilio Mewnol a mesurau i wella atal twyll ymhellach

Ar ôl dechrau ar ei swydd ym mis Rhagfyr 2015, cychwynnodd Dirprwy Gyfarwyddwr yr Is-adran Rheoli'r Rhwydwaith adolygiad archwilio mewnol o'r cynllun teithio rhatach ar fysiau, a ddechreuodd ym mis Ebrill 2016 - y trydydd archwiliad o'r fath. Ar ddiwedd mis Hydref 2016, daeth archwiliad y Gwasanaethau Archwilio Mewnol o'r cynllun i ben. Mae'r holl gamau rheoli wedi cael eu rhoi ar waith, ac eithrio'r llythyr 'cynnig grant' cryfach i Brif Weithredwyr awdurdodau lleol ar gyfer 2016-17 - ni roddwyd hyn ar waith gan yr ystyriwyd ei bod yn rhy hwyr yn y flwyddyn i lythyr o'r fath gael effaith. Cyhoeddwyd 'cynnig grant' cryfach ar gyfer 2017-18 a gofynnwyd i bob Prif Weithredwr ymrwymo i'r amodau. (Atodir enghraifft er gwybodaeth i'r Pwyllgor.)

Mae swyddogion yn parhau i gryfhau mesurau a rheolaethau atal twyll ar y cyd ag awdurdodau lleol. Er enghraifft:

- Rydym yn defnyddio gwasanaeth paru data y Fenter Atal Twyll Genedlaethol i nodi cardiau teithio y dylai awdurdodau lleol fod wedi'u canslo.
- Rydym yn craffu ar wybodaeth am batrymau teithio deiliaid cardiau teithio unigol, megis nifer y teithiau bob dydd, ar ba wasanaethau y maent yn teithio, gyda pha weithredwr a hyd yn oed pa yrwyr. Rydym wedi adolygu patrymau defnydd deiliaid cardiau teithio presennol a nodi'r rhai nad ydynt byth yn defnyddio eu cerdyn, neu'r rhai nad ydynt wedi ei ddefnyddio ers peth amser. Rhennir y data


gyda'r awdurdodau lleol er mwyn iddynt gysylltu â deiliaid y cardiau, os bydd angen.

- Cytunodd Ysgrifennydd y Cabinet dros yr Economi a Seilwaith i lanhau data awdurdodau lleol ar ddeiliaid cardiau teithio er mwyn dileu pobl sydd wedi marw neu a allai fod wedi gadael Cymru.
- Mae adroddiadau data manwl wedi cael eu hanfon at bob awdurdod lleol ers mis Gorffennaf 2016 er mwyn iddynt graffu ar anfonebau ac yna'u dilysu. Rydym wedi ei gwneud yn glir i weithredwyr bysiau ein bod yn disgwyl i awdurdodau lleol symud yn gyflym i sefyllfa lle yr ystyrir bod y data y mae gennym ni a'r awdurdodau lleol fynediad iddynt bellach yn gywir, ac y bydd y cyfrifoldeb ar unrhyw weithredwr i ddangos pam y dylid defnyddio ei ddata ei hun yn lle hynny er mwyn cyfrifo ad-daliad.
- Mae nifer o weithdai hefyd wedi cael eu cynnal i addysgu'r awdurdodau lleol am y math o ddata sy'n bodoli a beth i edrych amdano, ac i'w helpu drwy ein huned dwyll os byddant yn sylwi ar unrhyw beth anarferol yn y data. Er enghraifft, mae un awdurdod wedi defnyddio'r data i nodi deiliad cerdyn teithio ag anghenion penodol sydd wedi bod yn tapio ei gerdyn teithio sawl gwaith, heb werthfawrogi effeithiau hynny. O ganlyniad, mae gyrrwyr bysiau wedi cael cyfarwyddyd i gymryd y camau unioni - ystyriol - priodol. Yn ogystal, mewn achos arall sy'n deillio o'r offeryn newydd hwn a chraffu manylach gan awdurdodau lleol, mae un gweithredwr bysiau wedi diswyddo un o'i yrwyr y canfuwyd ei fod wedi bod yn defnyddio ei gerdyn ei hun i gynyddu nifer y teithiau rhatach a gofnodwyd.
- Rydym wedi cyhoeddi llythyrau 'cynnig grant' llawer mwy clir a phenodol i awdurdodau lleol, gan nodi'n llawer mwy manwl rolau a chyfrifoldebau Llywodraeth Cymru ac awdurdodau lleol yn 2017-18. Mae'r rhain yn disgrifio'n glir iawn y safonau yr ydym yn disgwyl i awdurdodau lleol eu cyrraedd pan fyddant yn gwirio ac yn dilysu ceisiadau gweithredwyr bysiau am ad-daliad.
- Mae Prif Weithredwyr awdurdodau lleol wedi cael eu hatgoffa am eu dyletswyddau cyfreithiol drwy'r llythyr dyfarnu uchod. Bydd datganiad o sicrwydd wedi'i lofnodi gan eu swyddog ariannol yn cyd-fynd â phob anfoneb a gyflwynir gan awdurdodau lleol, yn unol ag amodau'r llythyr dyfarnu.
- Rydym wedi cyflwyno gweithdrefnau talu newydd sy'n ei gwneud yn ofynnol i'r swyddog ardystio gadarnhau bod anfonebau awdurdod lleol yn cynnwys datganiadau o sicrwydd wedi'u lofnodi gan y swyddog ariannol cyfrifol yn ogystal ag un person arall cyn gofyn i'r taliad gael ei awdurdodi.



- Nodwyd gweithredwyr nad oeddent wedi rhoi'r system 'hotlisting' ar waith drwy'r offeryn dadansoddol ac mae'r gweithredwyr hynny bellach wedi rhoi'r system honno ar waith, yn dilyn ymgyrch gyhoeddusrwydd mewn rhai ardaloedd. (Mae 'hotlisting' yn caniatáu i gardiau electronig annilys gael eu 'diffodd' yn ganolog gan y gweithredwr).
- Rydym wedi hwyluso mecanwaith gweinyddol newydd, symlach yn ne-ddwyrain Cymru, lle y mae dau o'r awdurdodau yn rhannu cyfrifoldebau gweinyddol allweddol ar ran pob un o'r 10 awdurdod lleol. O dan y trefniant hwn, mae llai o staff yn arbenigo mewn cyfrifoldebau penodol, gan atgyfnerthu a gwella arbenigedd. Yn amodol ar ganfyddiadau'r gwaith hwn, bydd prosesau newydd a gwell yn cael eu cyflwyno ledled Cymru.

Rwy'n gobeithio bod yr wybodaeth uchod a'r rhestr o gamau gweithredu yn rhoi sicrwydd i'r Pwyllgor y gwneir pob ymdrech i sicrhau bod y gwelliannau rheoli cywir ar waith. Rwyf wedi gofyn i'r Swyddog Cyfrifyddu Ychwanegol ar gyfer y gwaith hwn fy hysbysu am y cynnydd.

Cofion,


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



Llywodraeth Cymru
Welsh Government

Name
Address
Address
Address
Post Code

Date

Dear Helen

**Welsh mandatory concessionary bus travel scheme 2017 - 18
Reimbursement for the operation of the scheme within the AUTHORITY
NAME County Borough Council area**

1. Funding

- (a) We are pleased to inform you that we will provide £3 per live pass lawfully issued by your authority towards the administration of the scheme in your area in a full financial year.
- (b) Your authority will contribute not less than the sum of £???,000 (? hundred and ? thousand pounds) in a full financial year towards the reimbursement of participating operators.
- (c) Your authority will continue to contribute no less than the sum in para 1 (b) if management of the scheme is devolved to a third party or lead authority(s) operating on your behalf.
- (d) We will provide additional funding (“the reimbursement”) to meet any shortfall in the amount of costs legitimately incurred in carrying out “the Purpose” (as defined in Condition 4(a)).
- (e) The Funding for each financial year must be claimed in full by 20 May in the following financial year.
- (f) If you have any queries in relation to this award of Funding or the Conditions please contact the Welsh Government Official.

2. Statutory Authority and State Aid

- (a) This award of Funding is made under the authority of the Minister for Economy and Infrastructure, one of the Welsh Ministers, acting pursuant to sections 70 and 71(1) Government of Wales Act 2006 and section 6 of the Transport (Wales) Act 2006.

(b) You must comply with the European Commission's State Aid Rules.

3. Interpreting these Conditions

Any reference in these Conditions to:

'you', 'your' is to:

Address
Address
Address
Post Code

Where appropriate, "you" or "your" may refer to another local authority acting on your behalf.

'we', 'us', 'our' is to the Welsh Ministers;

'Welsh Government Official' is to

Public Transport Division
Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Tel:029 2082 XXXX
Email: X.Y@wales.gsi.gov.uk

or such other Welsh Government official as we may notify you.

'Project Manager'

Name of LA Official
Address
Address
Address
Post Code

'Conditions' is to the terms and conditions set out in this letter;

'Schedule' is to the Schedules attached to this letter;

'Costs Incurred' is to the costs you have legitimately incurred by the date of each claim.

'Notification Event' is to any of the events listed in Schedule 1;

'State Aid Rules' is a reference to any of the following –

1. Regulation 1370/2007 on public passenger transport services by rail and by road
2. Articles 107 to 109 of the Treaty on the Functioning of the European Union (or in those Articles that may succeed Articles 107 to 109),
3. Secondary legislation such as frameworks, guidelines and block exemptions produced by the European Commission,
4. Case law of the European Courts and decisions of the European Commission;

4. What you must use the Funding for

- (a) You must use the funding solely for the purpose of the delivery of the Welsh mandatory concessionary bus travel scheme within your local authority area (the **"Purpose"**).
- (b) Any change to the Purpose will require our written consent which must be obtained from us in advance of implementing any change. Please note that we are not obliged to give our consent but we will consider all reasonable written requests.
- (c) You must not use any part of the Funding for: (1) party political purposes; (2) the promotion of particular secular, religious or political views; (3) gambling; (4) pornography; (5) offering sexual services; (6) purchasing capital equipment (other than as specified in the Purpose); (7) your legal fees in relation to this letter; (8) any kind of illegal activities; or (9) any kind of activity which in our opinion could bring us into disrepute.

5. Funding Pre-Conditions

- (a) We will not pay any of the Funding to you until you have provided us with the following information and documentation:
 - (i) documentary evidence that the signatories who have signed this letter on your behalf are duly authorised to do so;
 - (ii) Documentary evidence that you have appropriate systems in place to undertake due diligence before utilising any part of the funding to provide a grant to or procure any goods or services from third parties; and
 - (iii) Documentary evidence that you have put in place all staff and other resources as required to commence the Purposes.

- (iv) Confirmation, where appropriate, that there is a collaboration agreement in place to administer the scheme which all parties have agreed.
- (b) Where you are required to provide information and documentation to us as evidence that you have satisfied a particular pre-condition, Condition or in support of a claim, the information and documentation must be in all respects acceptable to us. We reserve the right to reject any information and documentation which is for any reason not acceptable to us.

6. How to claim the Funding

- (a) The Funding will be paid at least quarterly in arrears based on costs incurred or defrayed by you or on your behalf in the delivery of the Purpose.
- (b) The Funding must be claimed promptly by you, or on your behalf.
- (c) Claims for payment of Funding must be submitted to the Welsh Government Official (or to an official nominated by the Welsh Government Official) using our current Concessionary Claim form provided by the Welsh Government. The claim form includes confirmation that you are operating in all respects in accordance with your constitution; and that receipted invoices are retained.
- (d) We will aim to pay all valid claims as soon as possible and typically within 28 days.

7. Your general obligations to us

In addition to the obligations set out in the Conditions, you must:

- (a) Safeguard the Funding against fraud generally and, in particular, fraud on the part of your management, employees and/or suppliers of services (e.g. concessionary bus travel) and notify us immediately if you have reason to suspect that any fraud has occurred or is occurring or is likely to occur. You must also participate in such fraud prevention or investigation initiatives as we, the Wales Audit Office and or the police may require from time to time.
- (b) Comply with all applicable laws or regulations or official directives whether derived from domestic, EU or international law.
- (c) Put in place and maintain adequate insurances to cover against the risks which may arise in connection with any property or any activity undertaken in delivery of the Purpose. We reserve the right to require you to provide proof of your insurance.

- (d) Put in place and maintain appropriate systems to undertake due diligence before utilising any part of the Funding to provide a grant to or procure any goods or services from third parties..
- (e) Co-operate fully with the Welsh Government Official and with any other employee of the Welsh Government or consultant appointed by us to monitor your use of the Funding and your compliance with these Conditions.

8. Declarations

You declare that:

- (a) You have the power to enter into and to perform the obligations set out in these Conditions and you have taken all necessary action to authorise the entry into and performance of the obligations under these Conditions.
- (b) No litigation or arbitration is current or pending or, so far as you are aware, threatened, which have or could have an adverse effect on your ability to perform and comply with any of these Conditions.
- (c) The information contained in your claims and all supporting material is complete, true and accurate.
- (d) You have disclosed to us all material facts or circumstances which need to be disclosed to enable us to obtain a true and correct view of your organisation (both current and prospective) or which ought to be provided to any person who is considering providing funding to you.

9. Notification Events and their consequences

- (a) You must notify us immediately if a Notification Event has occurred or is likely to occur, but we also reserve the right to notify you where we believe a Notification Event has occurred or is likely to occur.
- (b) We will seek to discuss the Notification Event with you and to agree a course of action to be taken to address the Notification Event, and in doing so we will consider both the seriousness of the Notification Event and whether or not it can be remedied.
- (c) We will be entitled to take any of the actions listed in Condition 9(d) if:
 - (i) Despite our reasonable efforts we have been unable to discuss the Notification Event with you, or
 - (ii) we notify you that the Notification Event is not capable of remedy, or

- (iii) a course of action is agreed with you but you fail to follow it, or any conditions attached to it are not met (including without limitation the timescale for such course of action), or
 - (iv) the course of action fails to remedy the Notification Event to our satisfaction.
- (d) If any of the circumstances set out in Condition 9(c) occurs we may by notice to you:
 - (i) Withdraw the award of Funding; and/or
 - (ii) require you to repay all or part of the Funding immediately; and/or
 - (iii) suspend or cease all further payment of Funding; and/or
 - (iv) make all further payments of Funding subject to such conditions as we may specify; and/or
 - (v) deduct all amounts owed to us under these Conditions from any other funding that we have awarded or may award to you; and/or
 - (vi) exercise any other rights against you which we may have in respect of the Funding.
- (e) All repayments of Funding must be made to us within 28 days of the date of our demand. You must pay interest on any overdue repayments at a rate of 1.5% per annum above the Bank of England Bank Rate from time to time or at such other rate as may be required by the State Aid Rules. Interest will accrue on a daily basis from the date the repayment is due until actual repayment of the Funding, whether before or after judgment. You must pay the interest together with the overdue repayment.

10. Monitoring Requirements (see Schedule 2)

You must:

- (a) Provide us with such documents, information and reports which we may reasonably require from time to time in order for us to monitor your compliance with the Conditions, including without limit:
 - i) Quarterly claims on or by 20 July, 20 October, 20 January and 20 April;

- ii) Meet the Welsh Government Official and such other of our representatives as we may from time to time reasonably require.

and

- (b) ensure that the Project Manager (or such other person as we may agree) attends all meetings with the Welsh Government Official.

11. Audit Requirements

- (a) You must:
 - i. Maintain clear accounting records identifying all income and expenditure in relation to the Purpose;
 - ii. without charge, permit any official or officials of the Welsh Government, Wales Audit Office or European Commission at any reasonable time and on reasonable notice being given to you to visit your premises and/or to inspect any of your activities and/or to examine and take copies of your books of account and such other documents or records as in such officer's reasonable view may relate in any way to your use of the Funding. This undertaking is without prejudice and subject to any other statutory rights and powers exercisable by the Welsh Government, Wales Audit Office or the European Commission or any officer, servant or agent of any of the above;
 - iii. retain this letter and all original documents relating to the Funding until we inform you in writing that it is safe to destroy them.
- (b) Under paragraph 17 of Schedule 8 to the Government of Wales Act 2006, the Auditor General for Wales has extensive rights of access to documents and information relating to monies provided by the Welsh Government. The Auditor General and their officials have the power to require relevant persons who control or hold documents to give any assistance, information and explanation that they may require; and to require those persons to attend before them for such a purpose. The Auditor General and their staff may exercise this right at all reasonable times.

12. Third Party Obligations

- (a) Nothing in the Conditions imposes any liability on us in respect of any liability incurred by you to any third party (including, without limit, employees and contractors).

- (b) You must indemnify us against any liabilities, claims, proceedings, demands, losses, costs and expenses suffered or incurred by us directly or indirectly arising as a result of or in connection with any failure by you to perform fully or in part any obligation you may have to a third party.

13. Intellectual Property Rights and Publicity

- (a) Nothing in these Conditions transfers to us any rights in any intellectual property created by you as a result of the Purpose.
- (b) You must acknowledge our support on all publicity, press releases and marketing material produced in relation to the Purpose. Such acknowledgement must be in a form approved by us and must comply with the Welsh Government's branding guidelines.
- (c) You must provide the Welsh Government Official with a copy of all material listed in Condition 13(b) for our approval before any such material is published and you may not publish such material without our prior written approval. We will endeavour to respond to all written requests for approval within five working days.
- (d) You agree that from the date of this letter until five years from the date of the final payment of Funding we may include details about your organisation the Funding and the Purpose in Welsh Government promotional materials and you further agree to cooperate with our reasonable requests to achieve the production of such materials.

14. Access to Information

- (a) You acknowledge that we are subject to the requirements of the Freedom of Information Act 2000 (the "FOIA"), the Environmental Information Regulations 2004 (the "EIR") and the Data Protection Act 1998 (the "DPA").
- (b) You acknowledge that we are responsible for determining in our absolute discretion whether:
 - (i) to disclose any information which we have obtained under or in connection with the Funding to the extent that we are required to disclose such information to a person making a disclosure request under the FOIA or the EIR; and/or
 - (ii) any information is exempt from disclosure under the FOIA or the EIR.

15. Buying Goods and Services

If you decide to buy any goods and/or services to deliver the purposes, they must be purchased in a competitive and sustainable way so as to demonstrate that you have achieved best value in the use of Public Funds.

16. Giving Notice

- (a) Where notice is required to be given under these Conditions it must be in writing (this does not include email but may include a letter attached to an email) and must prominently display the following heading:

“Notice in relation to the reimbursement for the operation of the concessionary bus travel scheme within the AUTHORITY County Council area”.

- (b) The address and contact details for the purposes of serving notice under these Conditions are as follows

You: the Project Manager at the address stated in Condition 3.

Us: the Welsh Government Official at the address stated in Condition 3.

- (c) A notice will be deemed to have been properly given as follows:-

Prepaid first class post: on the second working day after the date of posting.

By hand: upon delivery to the address or the next working day if after 4pm or on a weekend or public holiday.

By email attachment: upon transmission or the next working day if after 4pm or on a weekend or public holiday.

17. Equal Opportunities

You must apply a policy of equal opportunities as employers, as users of volunteers, and as providers of services, regardless of race, gender/gender identification, sexual orientation, religion and belief, age or any disability.

18. Welsh Language

Where the Purpose includes or relates to the provision of services in Wales they must be provided in such a way as to not treat the Welsh Language less favourably than English, in line with the Welsh Language Measure (2011).

19. Sustainability

Your use of the Funding must (where reasonably practicable) meet the Welsh Government's current agenda for sustainable development and the environment.

20. Welsh Ministers' Functions

You acknowledge that the Welsh Ministers have a range of functions which will continue to accrue and be amended and that decisions in relation to each such function are obliged to be taken in the light of all relevant and to the exclusion of all irrelevant considerations. You agree that nothing contained or implied in , or arising under or in connection with, these Conditions will in any way prejudice, fetter or affect the functions of the Welsh Ministers or any of them nor oblige the Welsh Ministers or any of them to exercise, or refrain from exercising, any of their functions in any particular way.

21. General

- (a) If at any time any of these Conditions is deemed to be or becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired.
- (b) No failure or delay on our part to exercise any power, right or remedy under these Conditions will operate as a waiver of any such power, right or remedy or preclude its further exercise or the exercise of any other power, right or remedy. The powers, rights or remedies hereby provided are cumulative and not exclusive of any powers, rights or remedies provided by law.
- (c) Any amendment or variation to these Conditions must be in writing and signed by us and you in the same manner as this letter.
- (d) You may not assign or otherwise dispose of in any way your rights, benefits, obligations or duties under these Conditions.
- (e) Conditions 7, 9, 11, 13, and 14, and such other Conditions which by implication need to continue in force beyond the final payment of Funding will so continue in full force and effect.

- (f) The award of the Funding is to you alone and no one else is entitled to make any claim in respect of the Funding or seek to rely on or enforce any of these Conditions.
- (g) These Conditions are to be governed by and construed in accordance with the laws of Wales and England as applied in Wales and the parties hereto submit to the exclusive jurisdiction of the courts of Wales and England.

22. How to accept this offer of Funding

- a. To accept this award of Funding and to be awarded funding from the date of this letter you must sign and return a copy of this letter to the Welsh Government Official.
- b. We must receive your signed letter within 21 days of the date of this letter.

Yours faithfully

Sheena Hague

Signed by under authority of the Cabinet Secretary for Economy and Infrastructure, Science and Transport one of the Welsh Ministers

SCHEDULE 1

Notification Events

The Notification Events referred to in Condition 9 are listed below:

1. Repayment of any part of the Funding is required under UK legislation or European Law (whether under State Aid Rules or otherwise).
2. You fail to apply the Funding as required by the Purpose.
3. We have made an overpayment of Funding to you.

Mandatory concessionary bus travel – monitoring and management by local authorities

PART 1

Guidance documents Local Authorities must utilise in order to administer the scheme effectively:

- A Common Approach to Eligibility;
- A Common Approach to Concessionary Fare Reimbursement
- Reimbursement arrangements for Participating Operators
- Definitions for a Common Approach
- A Common Approach to Appeals
- Guidance for Changes in Representative Fares and for New Operators

PART 2

(Additional Guidance Applicable to All Local Authorities which will be included in the 2017 -18 guidance documentation)

Reports available from ACT

[These should evolve given card use changes, but business rules should change periodically to keep abreast of any misuse within the scheme.]

1. The number of age and disability-related concessionary passes presented more than 10 times in one day.
2. The number of disabled with companion concessionary passes presented more than 20 times in one day.
3. The number of concessionary bus passes presented between Midnight and 0500 hours (including service/route and operator details).
4. The number of concessionary bus passes re-issued more than five times by identifying the number of previous concessionary bus passes issued to an individual and how many times they have been presented.
5. The number of concessionary bus passes that have been presented five or more times if hotlisted. Identify these in order according to the highest number of presentations and split by operator.
6. The number of concessionary bus passes that have been seen 10 minutes apart on the same operator's services, split by active and hotlisted passes.

And or any other reports required by your staff to monitor claims for reimbursement from local bus service providers.#

ACT contacts for reports

Gertrude Chisamba-Laity <gertrude.chisamba-laity@weareact.com>;
Jonathan Carrick <jonathan.carrick@weareact.com>

PART 3

(Additional Guidance Applicable to only those Authorities providing back office functions for operators which will be included in the 2017 -18 guidance documentation)

Maintenance of Scheme

1. **ISAM location** must be provided and maintained. This should include communicating location to ACT as part of the managed service within five working days' change of location or update to ISAM (e.g. faulty, decommissioned).
 - a. We suggest that all descriptions of operators are the same (e.g. either J Bloggs or Joe Bloggs) for ease of reporting).
2. Obtain '**ISAM not communicated**' report that can assist with monitoring whether ISAMs are communicating correctly or may suggest an issue with the machine and/or operator back office/ETM.
 - a. Any ISAM that has not communicated within a reasonable timeframe (e.g. two weeks) should be investigated between the relevant operator and ACT.
3. **ESP Monitoring** – messages are very occasionally not sent back to the Welsh Government's back-office due to user error and ISAM error. Local authorities must obtain monthly reports from ACT that highlight whether there are any missing batch messages in your area.
4. Additional **ISAM stocks** should be kept to a minimum. ISAM stock should be monitored and recorded and ACT notified of location (e.g. ISAM stock – local authority name).

Award of Funding in relation to the Welsh mandatory concessionary bus travel scheme

TWO SIGNATORIES ARE REQUIRED

We hereby accept the award of Funding in relation to the administration of the mandatory concessionary bus travel scheme within this authority's area, and the Conditions relating to the Funding.

_____ Signature
An authorised signatory of the AUTHORITY County (Borough) Council

_____ Name

_____ Job Title

_____ Date

_____ Signature
An authorised signatory of the AUTHORITY County Borough Council

_____ Name

_____ Job Title

_____ Date

Eitem 5

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon

Shan Morgan
Ysgrifennydd Parhaol
Yr Ysgrifennydd Parhaol



Llywodraeth Cymru
Welsh Government

Nick Ramsay
Cadeirydd y Pwyllgor Cyfrifon Cyhoeddus
Cynulliad Cenedlaethol Cymru
Bae Caerdydd
CF99 1NA

Aunwyl Nick,

01 Mehefin 2017

Yn ystod fy sesiwn ragarweiniol gyda'r Pwyllgor ar 13 Mawrth 2017 gofynnodd Mr Lee Waters AC imi am yr heriau y bydd digideiddio yn dod â hwy i Lywodraeth Cymru a pharodwydd y sefydliad i ymateb iddynt. Addewais ysgrifennu yn ôl ar ôl rhoi ystyriaeth ddwys i'r mater pwysig hwn.

Cefndir

Yn 2014 cymeradwyodd Bwrdd Llywodraeth Cymru Gynllun Gweithredu Digidol cyntaf y sefydliad (2014-2017). Aeth y cynllun ati i wella gwybodaeth a gwasanaethau digidol Llywodraeth Cymru, ac fe'i cyhoeddir ar ein gwefan, gweler dolen er cyfleuster i'r Pwyllgor; <http://gov.wales/topics/science-and-technology/digital/public-services/digital-first/?lang=cy>

Yn 014, asesodd Llywodraeth Cymru ei hun fel Lefel 2 ar y Fframwaith Galluogrwydd Digidol ¹ - "senior management in place with a remit to set targets, develop over-arching vision and plan, and develop necessary capability and culture. Digital is seen as a key transformation tool and advocacy is strong at key parts of the organisation."

Ers hynny gwnaed camau breision. Rydym wedi penodi Prif Swyddog Digidol a chreu tîm strategaeth, sefydlu Grŵp Digidol a Data o dan gadeiryddiaeth y Gweinidog Sgiliau a Gwyddoniaeth i ddarparu arweinyddiaeth a chyfeiriad, gweithredu rhaglen dysgu digidol i staff a chyflwyno ystod o wasanaethau digidol newydd a gwell.

¹Addaswyd o'r Fframwaith a gyhoeddwyd yn UK Government Digital Strategy a'r Digital Capability Framework a gyflwynwyd gan Kieran O'Hea (Digitigm) i gyfnod ymgynghori'r Agenda Ddigidol ar gyfer Ewrop.



Parc Cathays • Cathays Park Ffôn • Tel : 0300 025 3289
Caerdydd • Cardiff PS.PermanentSecretary@gov.wales
CF10 3NQ Gwefan • website: www.gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

Tudalen y pecyn 229

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding

Yn ein barn ni rydym bellach wedi cyrraedd Lefel 4 o'r Fframwaith Galluogrwydd Digidol - "senior management making significant progress in delivering the vision and plan. Processes across the organisation have been converted to digital, providing tangible benefits and efficiencies. Advocacy is increasing." Ers 2010 rydym yn anelu at fod ar lefel 5 - "digital is at the heart of policy and strategy, contributing to all business processes and objectives. Digital culture is strong: agile, user-centred, innovative, and responsive."

Mae'r camau gweithredu yn y Cynllun Gweithredu Digidol (2014-2017) bron wedi'u cwblhau a chydabuwyd bod angen cynllun ar ei newydd wedd. Yn Ebrill 2017, ystyriodd Bwrdd Llywodraeth Cymru y Cynllun Gweithredu Digidol (2017-2020) sydd bellach yn cael ei baratoi'n derfynol.

Bydd y Cynllun Gweithredu Digidol (2017-2020) yn ddisgrifiad cynhwysfawr o'n hamcanion a'r camau yr ydym wedi'u cynllunio, felly nid wyf am achub y blaen arno yn ormodol yma. Er hynny, hoffwn ehangu ar bedair thema a godwyd yn benodol yn ystod fy sesiwn ragarweiniol gyda'r Pwyllgor: meddylfryd digidol; sgiliau arbenigol; galluogi busnes da yn y Llywodraeth; a data mawr. O gofio'r ymosodiadau seiber eang yn ddiweddar, hoffwn gyflwyno sylwadau ar gadernid.

Meithrin meddylfryd digidol

Ers llawer o flynyddoedd bu gan dechnolegau digidol effaith fawr ar y ffordd y mae pobl yng Nghymru'n byw, gan gynnwys sut y maent yn cael gafael ar wybodaeth a gwasanaethau cyhoeddus, a bydd yr effaith hon yn parhau wrth gwrs. Mae Symud Cymru Ymlaen yn datgan: 'Mae angen inni fynd yn ddigidol o ran ein darpariaeth o wasanaethau llywodraethol.' Mae deall y cyfleoedd a ddaw yn sgil y technolegau hyn i'r Llywodraeth yn rhan hanfodol o'r sgiliau y mae ar weision sifil modern eu hangen.

Yn ystod y drafodaeth â'r Pwyllgor, soniwyd am y gwaith rhagorol sy'n cael ei gyflawni gan rai o swyddfeydd trafodiadol mawr Llywodraeth y DU yng Nghymru. Mae Llywodraeth Cymru hefyd yn darparu nifer bach o wasanaethau trafodiadol uniongyrchol i'r cyhoedd. Mae gan Lywodraeth Cymru 22 o wasanaethau digidol byw ar hyn o bryd, ac rydym yn cynnal dros 100 o wefannau. Rydym wedi gwneud cynnydd da o ran digideiddio gwasanaethau, er enghraifft *Taliadau Gwledig Cymru Ar-lein* sy'n caniatáu i 18,000 o ffermwyr ymgaisio am daliadau a'u rheoli ar-lein. Mae *Hwb* (hwb.cymru.gov.uk), sy'n cynnal casgliad cenedlaethol o offer ac adnoddau digidol i gefnogi rhieni, athrawon a phlant yng Nghymru'n enghraifft eithriadol o ddatblygu a darparu gwasanaethau ar-lein; mae Cymru ar y blaen i weddill y DU yn hyn o beth. Mae technolegau digidol hefyd yn herio'r ffordd yr ydym yn ymgysylltu â dinasyddion. Mae ein *Digwyddiadau'r Sgwrs Go Iawn*, a ddefnyddir i ddatblygu Rhaglen Entrepreneuriaeth Ieuenctid Llywodraeth Cymru, 2016-2020, yn enghraifft dda, ac mae sianeli ymgysylltu

digidol ar gyfer Tasglu'r Cymoedd yn fyw yn awr - gweler Twitter, #TrafodyCymoedd #TalkValleys.

Er bod enghreifftiau cryf o waith a arweinir yn ddigidol, mae gwella sgiliau a galluogrwydd yn y maes hwn yn flaenoriaeth barhaus. Fel rhan o Gynllun Gweithredu Digidol Llywodraeth Cymru (2014-2017), sefydlwyd rhaglen dysgu digidol ar gyfer y staff. Mae'r rhaglen yn cynnwys cyrsiau dechreuol a chanolradd ym maes ymwybyddiaeth ddigidol; cyrsiau sy'n canolbwyntio ar ffyrdd 'Agile' o weithio; a dosbarth meistr arweinyddiaeth ddigidol ar gyfer yr Uwch Wasanaeth Sifil a bandiau gweithredol Mae mwy na 500 aelodau o staff wedi mynychu dros y flwyddyn ddiwethaf ac mae rhagor o gyrsiau ar y gweill. Mae dysgu yn y dosbarth yn cael ei gefnogi gan fodiwlau hyfforddi ar-lein, cyfleoedd cyfnewid, a sesiynau 'dysgu dros ginio' mwy anffurfiol.

Un o'm blaenoriaethau cynnar fel Ysgrifennydd Parhaol yw sicrhau bod gan Wasanaeth Sifil Llywodraeth Cymru'r sgiliau a'r galluogrwydd y mae arni eu hangen at y dyfodol. Cyn hir byddaf yn lansio ymarfer ymgysylltu ar draws y sefydliad i nodi ein bylchau sgiliau. Er hynny cyn i'r data hwnnw ddod i'r amlwg, rwyf eisoes wedi cytuno â'r Uwch Dîm y bydd sgiliau polisi, arweinyddiaeth, a sgiliau digidol yn elfen graidd ar raglen dysgu corfforaethol newydd i staff.

Sgiliau digidol arbenigol

Yn ogystal â'r hyn y gellid ei ddisgrifio'n Weision Sifil 'cyffredinol' sy'n gweithio ar lunio a darparu polisi, mae gan dros 100 o aelodau o staff Llywodraeth Cymru rolau digidol a TGCh sy'n gofyn am sgiliau a chymwysterau arbenigol, megis rhaglenwyr, arbenigwyr cymorth TG, a dylunwyr y we. Mae'n glir bod manteision posibl trwy leihau dibyniaeth ar gontractwyr allanol am y math hwn o waith, o safbwynt cost, diogelwch a chynaliadwyedd. Mae dod â sgiliau arbenigol i mewn i'r sefydliad yn aml yn gofyn am recriwtio'n allanol yn hytrach nag ailhyfforddi, ac ar adeg o gyfyngiadau tyn o ran adnoddau mae'n glir bod hon yn her anodd. Er hynny, mae'r Prif Weinidog yn cydnabod y bydd angen defnyddio'r dull gweithredu hwn yn achos rhai sgiliau allweddol.

Yn Ebrill 2017, cytunodd panel recriwtio allanol y sefydliad i benodi deg o bobl â sgiliau digidol arbenigol i'w lleoli ar draws adrannau. Bydd cynllun prentisiaethau nesaf Llywodraeth Cymru yn cynnwys carfan ddigidol. Rydym hefyd yn dod â phrentisiaid i mewn i'r sefydliad mewn partneriaeth â'r ONS. Yn y tymor hwy, bydd angen i gynllunio'r gweithlu ar gyfer rolau digidol gael ei gynnwys yng ngwaith ehangach Llywodraeth Cymru ar gynllunio'r gweithlu. Mae grŵp gweithlu digidol ar draws y sefydliad wedi cael ei sefydlu i gefnogi hyn.

Galluogi busnes da yn y Llywodraeth

Yn ystod fy sesiwn ragarweiniol siaradais am y cyfleoedd y mae technolegau digidol yn eu cynnig i gefnogi ffyrdd gwell o gyflawni hanfodion busnes y llywodraeth - roedd gennyf mewn golwg gweithio'n effeithiol fel tîm, cynnal cyfarfodydd ffrwythlon, a chyfathrebu â chydweithwyr ar draws ffiniau daearyddol. Gwn i'm rhagflaenydd arwain darn sylweddol o waith i wella defnydd Llywodraeth Cymru o e-byst a chadw cofnodion yn electronig. Mae gwaith ar y gweill i uwchraddio darpariaeth ffonau Llywodraeth Cymru ac i gefnogi staff i gysylltu'n fwy effeithiol â'u cydweithwyr gan ddefnyddio negeseua gwib ac argaeledd ar-lein amser real. Pwysleisiodd adborth gan staff a gymerodd ran yn ein peilot gweithio'n hyblyg ym Merthyr yn arbennig bwysigrwydd ofer TG dibynadwy a hygyrch i gefnogi gweithio o gartref ac wrth symud o gwmpas. Bu Bwrdd Llywodraeth Cymru yn profi meddalwedd a chaledwedd sy'n caniatáu i'w gyfarfodydd gael eu cynnal yn 'ddi-bapur'. Rwyf newydd gymeradwyo blwyddyn bellach o'r treial i sicrhau ein bod yn dysgu cymaint â phosibl am y manteision a'r newidiadau o ran sgiliau ac ymddygiad y mae'r math hwn o weithio'n gofyn amdanynt.

Cadernid

Er fy mod yn cytuno â'r pwynt a wnaeth Mr Waters yn ystod fy sesiwn ragarweiniol yn ddiweddar nad cyfarpar yw'r peth pwysicaf oll, mae meddu ar yr offer iawn sy'n gweithio'n effeithiol yn hanfodol wrth gwrs ar gyfer gweithio digidol - sy'n f'arwain i at gadernid. Mae'r ymosodiadau seiber digynsail ar sefydliadau ledled y byd wedi pwysleisio unwaith eto'r heriau enfawr sydd ynghlwm wrth sicrhau bod systemau ac offer TG yn gweithio'n iawn, ac yn bennaf oll, sicrhau eu bod yn ddiogel. Wrth i Lywodraeth Cymru ddatblygu mwy o wasanaethau digidol a ffyrdd o weithio mae ein dibyniaeth ar y dechnoleg sy'n eu cefnogi wedi cynyddu. Mae effaith methiant technoleg ac yn gynyddol seiberdrosedd yn peri risg llawer uwch i gyflawni ein gwaith nag o'r blaen. Er mwyn mynd i'r afael â'r risg hwn mae Llywodraeth Cymru wedi buddsoddi yn ei systemau craidd ac yn mynnu bod safonau sicrwydd ar gyfer ei chyflenwyr yn cael eu diwallu. Rydym hefyd wedi datblygu'r gweithdrefnau y mae eu hangen i ymateb yn gyflym os bydd digwyddiad. Mae cadernid TG ar Gofrestr Risg Corfforaethol Llywodraeth Cymru a bydd yn parhau'n faes allweddol i'r Bwrdd. Mae datganiad Prif Weinidog ar 16 Mai 2017 hefyd yn rhoi clod dyledus i gadernid TG a'r gwaith ymateb i argyfwng sy'n cael ei wneud gan GIG Cymru a chyrrff cyhoeddus eraill yng Nghymru.

Manteisio ar Ddata Mawr

Mae trawsnewid digidol nid yn unig yn arwain at gynhyrchu mwy o ddata, a hynny mewn ffordd fwy amserol, ond mae hefyd yn cynnig ffyrdd newydd o gasglu, rheoli a dadansoddi data. Fel sefydliad mae Llywodraeth Cymru'n parhau i edrych ar ffyrdd o fanteisio'n well ar ddata gan ddefnyddio technegau traddodiadol ac arloesol. Er enghraifft, mae cydweithwyr yn yr Adran Drafnidiaeth yn gwneud defnydd arloesol o

setiau data dienw mawr ar ddata GPS a data ffonau symudol ar gyfer dadansoddi trafndiaeth.

Yn y blynyddoedd diwethaf mae Llywodraeth Cymru hefyd wedi gwella ei deunydd ystadegol a gofodol ei hun, ar ffurf y gall peiriant ei darllen, ac fel yr amlinellir yng Nghynllun Data Agored Llywodraeth Cymru, mae wedi ymrwymo i fwrw ymlaen â'r agenda data agored.

Gyda'r cynnydd yn nifer y sefydliadau sy'n cael eu creu ac sy'n cael eu gyrru gan ddata - fel y nodwyd gan Mr Waters - mae potensial i Gymru fod yn ganolbwynt data sydd ymhlith y goreuon yn y byd. Mae cydweithwyr eisoes yn gweithio ar brosiectau gyda Champws Gwyddor Data ONS a Chanolfan Ymchwil Data Gweinyddol Cymru, a thros y blynyddoedd rydym wedi rhoi arian sylweddol i ddatblygu banc data SAIL ym Mhrifysgol Abertawe. Mae ein gwaith gyda Chanolfan Ymchwil Data Gweinyddol Cymru wedi arwain at gyhoeddiadau sy'n edrych ar ganlyniadau ymyriadau polisi megis cefnogi pobl a thlodi tanwydd trwy gysylltu data - yn ddiogel ac yn foesebol - o wahanol ffynonellau. Mae Llywodraeth Cymru yn cael ei hystyried yn un o bartneriaid arweiniol Rhwydwaith Ymchwil Data Gweinyddol y DU.

Rwyf yn gobeithio bod y diweddariad hwn wedi rhoi sicrwydd i'r Pwyllgor bod y technolegau digidol a'r heriau a'r cyfleoedd sydd gysylltiedig â hwy'n uchel ar agenda Llywodraeth Cymru a bod cynnydd yn cael ei wneud. Rwyf yn edrych ymlaen at rannu'r Cynllun Gweithredu Digidol (2017 - 20120) â'r Pwyllgor maes o law.

Yn gywir,

Shan Morgan

Shan Morgan
Yr Ysgrifennydd Parhaol
Llywodraeth Cymru



Parc Cathays • Cathays Park Ffôn • Tel : 0300 025 3289
Caerdydd • Cardiff PS.PermanentSecretary@gov.wales
CF10 3NQ Gwefan • website: www.gov.wales

100% of the total amount of the grant is to be used for the purpose of the grant.

The grant is to be used for the purpose of the grant and is not to be used for any other purpose.

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Dr. Philip

Dr. Philip

Dr. Philip

Dr. Philip

Dr. Philip

Mae cyfyngiadau ar y ddogfen hon

James Price
Dirprwy Ysgrifennydd Parhaol – Grŵp yr Economi,
Sgiliau a Chyfoeth Naturiol
Llywodraeth Cymru
Parc Cathays
Caerdydd, CF10 3NQ

12 Gorffennaf 2017

Annwyl Mr Price

Cyllid cychwynol Llywodraeth Cymru ar gyfer prosiect Cylchffordd Cymru

Diolch unwaith eto am ddod i gyfarfod y Pwyllgor Cyfrifon Cyhoeddus ar 26 Mehefin 2017. Yn dilyn y cyfarfod, mae'r Aelodau wedi gofyn fy mod yn ysgrifennu atoch gyda rhai sylwadau a cheisio eglurhad pellach ynghylch nifer o bwyntiau sy'n codi o'r dystiolaeth. Wrth ymateb i'r llythyr hwn, byddwn yn disgwyl i sylwadau'r swyddogion perthnasol, sef Mr McGuire a Mr Munday gael eu cynnwys. Mae'r Pwyllgor yn gobeithio y bydd y llythyr hwn a'ch ymateb yn dileu'r angen am sesiwn dystiolaeth ychwanegol, er y bydd hyn yn dibynnu ar ddyfnder a chyflawnrwydd yr atebion a ddarperir.

Er hwylustod, rydym wedi ychwanegu troednodiadau at y trawsgrifiad (Cofnod y Trafodion) ac Adroddiad yr Archwilydd Cyffredinol.

Gwerth am arian cyffredinol

Un o brif ffocysau'r Pwyllgor Cyfrifon Cyhoeddus yw sicrhau bod gwerth am arian yn cael ei sicrhau wrth wario arian cyhoeddus. Nid ydym yn ffurfio barn ynghylch dilysrwydd penderfyniadau polisi, ond yn hytrach a yw'r buddsoddiadau hynny wedi cael eu gwneud yn unol â'r prosesau a'r gweithdrefnau sydd ar waith i ddiogelu'r rheini sydd â'r cyfrifoldeb am fuddsoddi arian cyhoeddus. Mae gennym



nifer o gwestiynau'n ymwneud â'r gwerth am arian cyffredinol ar gyfer cyllid cychwynol y prosiect:

1. Yn ystod y sesiwn dystiolaeth ar 26 Mehefin 2017, gwnaethoch nodi:

*"I am persuaded that we have achieved value for money for what we have got, yes, which is a project that is ready, subject to finance, to be delivered. So, yes."*¹

A bod £9.3 miliwn yn cynrychioli gwerth am arian ni waeth a yw'r prosiect yn mynd yn ei flaen ai peidio.² Yn sgil penderfyniad Llywodraeth Cymru ar 27 Mehefin, hoffai'r Pwyllgor wybod a ydych yn credu bod hwn yn ddatganiad dilys o hyd, a'ch cyfiawnhad dros y farn hon.

2. Byddai'r Pwyllgor yn croesawu unrhyw dystiolaeth ynghylch gwerth am arian mewn perthynas â thaliadau a wneir i gyflenwyr ar sail blaendaliadau misol.
3. Yn ystod y sesiwn dystiolaeth, gwnaethoch ddyfynnu'r rhagdybiaethau craidd o 1000 o swyddi o'r Gylchffordd a 4000 o'r datblygiad dilynol.³ Wrth egluro'r rheswm dros beidio â phenderfynu buddsoddi ymhellach yng Nghylchffordd Cymru, dywedodd y Gweinidog:

'...once the initial track and directly related development... had reached a steady state of trading around the year 2024, the number of direct full-time-equivalent (FTE) operational jobs would be little over 100. In addition, the circuit development could create around 500 indirect FTE jobs through potential visitor spend, as well as approximately 500 FTE construction jobs while the track was being built.'

Sut y mae'r ffigurau a ddyfynnir yn y cyfarfod yn cysoni â'r ffigurau a ddyfynnir i gefnogi penderfyniad Llywodraeth Cymru i beidio ag ariannu'r prosiect?

¹ Cofnod y Trafodion, paragraff 22

² Cofnod y Trafodion, paragraff 428

³ Cofnod y Trafodion, paragraffau 24 – 41



Caffael FTR:

Mae gan y Pwyllgor nifer o bryderon yn ymwneud â phrynu FTR fel rhan o'r Grant Datblygu Eiddo. Mae nifer o feysydd y byddai'r Pwyllgor yn croesawu eglurhad pellach arnynt, a'r mater sy'n peri pryder penodol yw diffyg dogfennau priodol am y penderfyniad i'r pryniant hwn gael ei gynnwys fel rhan o'r Grant Datblygu Eiddo:

4. Yn ystod y sesiwn dystiolaeth, gwnaethoch ddweud eich bod yn ystyried bod prynu FTR yn cynrychioli gwerth am arian, a ydych yn dal i feddwl bod hyn yn wir, ac os felly, sut y mae'n cynrychioli gwerth am arian?
5. Gwnaethoch hefyd gyfeirio at y gwaith craffu sylweddol a oedd yn cael ei wneud ar y Grant, a byddem yn hoffi gwybod pa fath o waith craffu penodol a wnaed ar yr eitem FTR?⁴
6. Er gwaethaf eich sicrwydd yn y cyfarfod bod y gymeradwyaeth ar gyfer prynu FTR gydag arian y Grant wedi'i hystyried yn fanwl ac yn⁵ cyd-fynd gyda'r prosiect⁶, mae'r Pwyllgor yn aneglur o hyd ynghylch sut y daethpwyd i'r casgliadau hyn. Felly, a fydddech cystal ag egluro'n union:
 - sut yr oedd y rhesymeg dros Gwmni Datblygu Blaenau'r Cymoedd (HoVDC) i gaffael FTR yn cyd-fynd â dibenion ac amcanion cynllun y Grant Datblygu Eiddo?
 - sut yr oedd y rhesymeg dros HoVDC i gaffael FTR yn ffitio o fewn dibenion Cam 1 Prosiect Cylchffordd Cymru?
7. Mae'r Pwyllgor yn aneglur o'ch tystiolaeth a byddem yn croesawu eglurhad ynghylch p'un a fyddai cynnwys eitem £300,000 fel FTR, y nododd yr Archwilydd Cyffredinol nad yw'n cyd-fynd â dibenion craidd cynllun grant, yn cael ei ystyried yn eithriadol, a'ch rhesymau dros benderfyniad o'r fath.

⁴ Cofnod y Trafodion, paragraff 343

⁵ Cofnod y Trafodion, paragraff 80

⁶ Cofnod y Trafodion, paragraff 76



8. Cafodd y Grant ei ôl-ddyddio o dri mis bron (am resymau nad yw Llywodraeth Cymru wedi'u hesbonio i'r Pwyllgor eto) a chafodd y taliad FTR ei wneud cyn i'r grant gael ei ddyfarnu. Gofynnir i Lywodraeth Cymru gadarnhau a wnaeth Llywodraeth Cymru adolygu'r contract prynu/gwerthu FTR cyn cymeradwyo i FTR gael ei gynnwys yn rhan o'r grant datblygu eiddo, ac os nad, pam hynny?
9. Mae gan y Pwyllgor bryderon penodol ynghylch y penderfyniad i brynu FTR o bosibl ddim yn cael ei gymeradwyo gan y Gweinidog. Byddem yn croesawu ymateb ynghylch pam nad oes unrhyw dystiolaeth o gymeradwyaeth o'r cyllid grant ar gyfer caffael FTR yn cael ei dwyn i sylw'r Gweinidogion? Ac o dan ba amgylchiadau y credwch ei bod yn briodol dwyn neu beidio â dwyn eitem o'r fath i sylw'r Gweinidog?
10. Nododd y Pwyllgor y sylwadau gennyh chi a Ms Mayes ynghylch cadw cofnodion, sef y dylai swyddogion gadw cofnodion manwl o'r holl gyfarfodydd a sgysiau gydag ymgeiswyr am gyllid⁷ ac y byddai arfer da y lefel isaf sy'n angenrheidiol i ddangos pam eich bod wedi gwneud yr hyn y gwnaethoch.⁸ Byddai'r Pwyllgor yn hoffi gwybod pa gyfiawnhad sydd ar gyfer y swyddogion yn peidio â chadw cofnodion yn ymwneud â'r penderfyniad ynghylch FTR a pham nad oes unrhyw ddogfennau cyfoes yn ymwneud â FTR?

Rhagor o gwestiynau mewn perthynas â thystiolaeth lafar:

Mae gan y Pwyllgor nifer o gwestiynau dilynol sy'n codi o'r dystiolaeth lafar a ddarparwyd gennyh ar 26 Mehefin 2017:

11. Yn ystod y sesiwn dystiolaeth, gwnaethoch ddweud bod HoVDC yr ail dro y mae Llywodraeth Cymru wedi darparu gwarant benthyciad.⁹ Byddai'r

⁷ Cofnod y Trafodion, paragraff 337

⁸ Cofnod y Trafodion, paragraff 343

⁹ Cofnod y Trafodion, paragraff 155



Pwyllgor yn croesawu rhagor o wybodaeth am ddarparu gwarantau benthyciad gan Lywodraeth Cymru. Yn benodol:

- beth oedd y warant gyntaf y cyfeirir ati yn y dystiolaeth?
- sut y cafodd y warant ei sicrhau?
- a alwyd arni? Os felly, a gafodd Llywodraeth Cymru yr arian yn ôl?
- a oes unrhyw warantau eraill wedi cael eu ceisio, eu gwrthod neu eu darparu?

12. Mae'r angen am wahanu dyletswyddau o ran swyddogion sy'n ymwneud â chefnogi ceisiadau am gyllid gan y rheini sy'n gyfrifol am awdurdodi taliadau yn rheolaeth sylfaenol. Cafodd y Pwyllgor sicrwydd gennych chi a Ms Mayes yn y cyfarfod fod y prosesau yn bodoli o fewn Llywodraeth Cymru.¹⁰ Fodd bynnag, mae'r sicrwydd hwn yn dal i ymddangos yn groes i'r canfyddiadau yn adroddiad yr Archwilydd Cyffredinol fod swyddog ar 11 Ionawr 2013 wedi cyfarwyddo ei gydweithiwr cyllid i dalu cais am grant, er nad oedd swyddogion Llywodraeth Cymru wedi gweld y rhannau perthnasol o'r contract gwerthiant amodol.¹¹ Felly, byddem yn croesawu eglurhad ar sut y mae cyfarwyddyd y swyddog hwn a sut y cafodd ei weithredu yn dangos y gwahaniad priodol o ddyletswyddau.

13. Mae adroddiad yr Archwilydd Cyffredinol yn nodi bod taliadau grant y Grant Datblygu Eiddo i HoVDC yn cynnwys ad-dalu HoVDC am flaendal a ddaliwyd mewn ysgrow, ac ni fyddai'r math hwn o daliad fel arfer yn cael ei ystyried yn gymwys i gael grant gan ei fod yn cynrychioli setlo taliad nad yw wedi'i ad-dalu eto.¹² Yn ystod y sesiwn dystiolaeth, dywedodd Ms Mayes yn yr achos hwn y credai Llywodraeth Cymru ei bod yn iawn yn talu'r swm llawn a hawlir i HoVDC, fodd bynnag, nid yw'n glir pam y daethpwyd i'r casgliad hwn.¹³ Er ein bod yn derbyn nad yw blaendal a ddelir mewn ysgrow yn anarferol mewn trafodion gwerthiannau eiddo amodol, rydym hefyd yn nodi nad yw symiau o'r fath yn wariant cymwys fel arfer – felly a fyddechystal

¹⁰ Cofnod y Trafodion, paragraffau 272–280

¹¹ Adroddiad Archwilydd Cyffredinol Cymru, paragraff 3.40

¹² Adroddiad Archwilydd Cyffredinol Cymru, paragraffau 3.38–3.40

¹³ Cofnod y Trafodion, paragraff 317



ag egluro pam yn yr achos hwn fod Llywodraeth Cymru wedi ystyried bod y taliad hawlio grant hwn yn gywir?

14. Mewn ymateb i gwestiynau'r Pwyllgor ynghylch pam nad oedd cyfrifon HoVDC wedi'u harchwilio, dywedodd Ms Mayes nad oedd cyfrifon y cwmni wedi'u harchwilio am nad oedd yn ofynnol i'r cwmnïau wneud hynny.¹⁴ Mae gennym rai pryderon sylweddol am hyn gan mai un o ofynion y cytundeb gwarant benthyciad oedd i HoVDC ddarparu cyfriflenni ariannol wedi'u harchwilio i Lywodraeth Cymru.¹⁵ Felly, hoffem eglurhad ynghylch pam y cafodd yr amod hwn i ddarparu cyfriflenni ariannol wedi'u harchwilio ei osod fel rhan o warant y benthyciad? Ac yna pam na chafodd yr amod hwn ei orfodi?

15. Cwestiynodd y Pwyllgor y penderfyniad i beidio â rhoi gwybod i Fwrdd Cynghorol Datblygu Diwydiannol Cymru am y cymorth gwarant benthyciad posibl pan oeddent yn ystyried a ddylai gefnogi'r cais cyllid busnes ad-daladwy o £80 miliwn ar gyfer y prosiect hwn. Byddem yn croesawu eglurhad, pe byddai'r un amgylchiadau'n codi, a fyddai Llywodraeth Cymru bellach yn dweud wrth Fwrdd Cynghorol Datblygu Diwydiannol Cymru am y warant benthyciad posibl?¹⁶

Yn ystod cyfarfod y Pwyllgor cafwyd trafodaeth sylweddol o ran darparu cyllid heb risg i HoVDC ac a allai hyn dorri rheolau Cymorth Gwladwriaethol. Mae gan y Pwyllgor nifer o gwestiynau sy'n codi o hyn:

16. Roedd y Pwyllgor yn arbennig o bryderus ynghylch y canfyddiadau yn adroddiad yr Archwilydd Cyffredinol bod swyddogion Llywodraeth Cymru ei hun yn cynghori y gallai darparu'r warant benthyciad yn ychwanegol at y Cyllid Busnes Ad-daladwy fod yn broblem o ran cymorth gwladwriaethol ac

¹⁴ Cofnod y Trafodion, paragraff 436

¹⁵ Adroddiad Archwilydd Cyffredinol Cymru, paragraff 3.15

¹⁶ Cofnod y Trafodion, paragraffau 390 – 401



na all gynnig unrhyw sicrwydd i Weinidogion y byddai'r cynigion yn sefyll i fyny i ddadansoddiad neu archwiliad barnwrol gan y Comisiwn Ewropeaidd. O ystyried y cyngor a roddwyd i Lywodraeth Cymru mewn perthynas â'r risg o ddarparu Cymorth Gwladwriaethol anghyfreithlon, hoffem gael eglurhad pellach ar ba sail y mae Llywodraeth Cymru yn gweithredu fel buddsoddwr yn y farchnad?¹⁷

17. Ychydig o eglurder a gafodd y Pwyllgor ynghylch ei gwestiynau am ba sicrwydd oedd gan Lywodraeth Cymru o ran gallu HoVDC i dalu gwarant y benthyciad yn ôl. O ystyried penderfyniad Llywodraeth Cymru, a ydych bellach yn cytuno bod Llywodraeth Cymru wedi, mewn gwirionedd, darparu cyllid heb risg i HoVDC, a allai dorri rheolau Cymorth Gwladwriaethol?¹⁸ Os nad ydych yn cytuno, pam ddim?

Eglurhad a gwybodaeth ychwanegol:

Byddai'r Pwyllgor yn croesawu nifer o bwyntiau o eglurhad a gwybodaeth ychwanegol am y pwyntiau a godwyd yn ystod y sesiwn dystiolaeth. Rwy'n deall bod y Clercod wedi anfon neges e-bost atoch gyda'r pwyntiau gweithredu y cytunwyd arnynt gyda chi yn ystod y cyfarfod. Byddwn yn ddiolchgar o gael y rhain ochr yn ochr â'r wybodaeth isod:

18. Yn ystod y sesiwn dystiolaeth, gwnaethoch ddyfynnu ffigur o 20 y cant fel y gyfran nodweddiadol o gyfanswm cost y prosiect a oedd ei angen i gyrraedd y cyllid gofynnol, a arweiniodd atoch yn dod i'r casgliad fod amlygiad Llywodraeth Cymru o 2 y cant ar gyfer cyfanswm cost y prosiect o tua £400 miliwn i gynrychioli gwerth da am arian. Beth yw'r ffynhonnell ar gyfer y ffigur hwn o 20 y cant? A fydddech cystal ag egluro pa fath o brosiect a ddefnyddir i gyfrifo'r ffigur yn ogystal ag egluro pam mae prosiectau o'r fath yn gymaryddion priodol ar gyfer prosiect Cylchffordd Cymru?

¹⁷ Cofnod y Trafodion, paragraffau 167–169

¹⁸ Cofnod y Trafodion, paragraff 181; Adroddiad Archwilydd Cyffredinol Cymru, paragraff 2.15



19. Roeddem yn synnu eich bod wedi nodi nad oeddech yn credu bod nifer y cwmnïau neu unigolion cysylltiedig mor uchel â naw¹⁹, sef y ffigur a ddyfynnwyd yn adroddiad yr Archwilydd Cyffredinol, o ystyried bod yr adroddiad wedi'i wirio gyda HoVDC. Mae'r Pwyllgor yn deall o gais Rhyddid Gwybodaeth a ddatgelwyd gan Swyddfa Archwilio Cymru mai enwau saith cwmni [ni chafodd enwau dau unigolyn arall eu datgelu] oedd:

- Aventa Capital Partners Ltd;
- Stephenson Harwood LLP;
- Insight Infrastructure Ltd;
- Shaun Meadows Marketing Ltd;
- Barton Communications Ltd;
- Kalergo Ltd; ac
- Altitude Aviation Advisory Ltd
-

Pa un o'r cwmnïau yn y rhestr a ddatgelwyd gan Swyddfa Archwilio Cymru y cred Llywodraeth Cymru nad ydynt yn gysylltiedig a beth y credwch yw'r ffigur cywir ar gyfer cyfanswm nifer y cwmnïau neu unigolion cysylltiedig a oedd yn cael taliadau o dan y Grant Datblygu Eiddo neu'r trefniant gwarant benthyciad?

20. Yn ystod cyfarfod y Pwyllgor, gwnaethoch ddweud y bu cyfanswm gwariant o £55 miliwn gan bob parti, ac mae gan Lywodraeth Cymru amlygiad o tua £9.2 miliwn. Mae hwn yn ffigur sy'n fwy na'r £30 miliwn a ddyfynnwyd yn adroddiad yr Archwilydd Cyffredinol, lle roedd y ffeithiau wedi'u gwirio gyda HoVDC. Aethoch ati i wirio'r swm o £55 miliwn a darparu'r wybodaeth i'r Pwyllgor. A fydddech cystal â chadarnhau faint o fuddsoddiad sector preifat a wnaed yn y Prosiect sydd bellach mewn perygl yn sgil y penderfyniad gan Lywodraeth Cymru. A fydddech cystal hefyd â darparu ffynhonnell y wybodaeth hon a'r hyn y mae Llywodraeth Cymru wedi'i wneud i wirio ei bod yn gywir?

¹⁹ Cofnod y Trafodion, paragraff 111



21. Gwnaethoch gyfeirio at nifer y busnesau y mae Llywodraeth Cymru yn eu cefnogi a'r cyfraddau methu sy'n gysylltiedig â hwy, gan nodi bod 1,000 o fuddsoddiadau dros bum mlynedd, lle roedd 3.4 y cant wedi mynd o chwith.²⁰ Byddai'r Pwyllgor yn croesawu gwybodaeth am y ffynhonnell a chywirdeb y ffigurau a ddyfynnwyd. At hynny, byddai'r Pwyllgor yn croesawu eglurhad o'r hyn a olygir gennych mewn perthynas â 'mynd o chwith' – a ydych yn golygu methiant busnes, methu â chyrraedd y canlyniad a fwriadwyd (e.e. swyddi a grëwyd) neu rywbeth arall? A fydddech cystal ag egluro sut yr ydych yn diffinio llwyddiant a methiant.
22. Yn ystod y sesiwn dystiolaeth, holodd y Pwyllgor chi ynghylch a oedd y diwydrwydd dyladwy ar gyfer y rhaglen yn drylwyr ac y gorau posibl. Oherwydd y broses barhaus, roeddech yn methu â rhoi ymateb llawn i hyn yn ystod y cyfarfod ond darparwyd nodyn gennych yn rhoi mwy o fanylion am y broses diwydrwydd dyladwy yn dilyn penderfyniad y Cabinet. Byddem yn ddiolchgar pe gallech gynnwys y nodyn hwn fel rhan o'r ymateb i'r llythyr hwn.²¹
23. Yn natganiad Ysgrifennydd y Cabinet yn y cyfarfod llawn ar 27 Mehefin, dywedodd wrth Aelodau'r Cynulliad: "*yn dilyn trafodaethau â'r Swyddfa Ystadegau Gwladol a Thrysorlys Ei Mawrhydi yn ystod y broses diwydrwydd dyladwy, asesir bod risg sylweddol iawn y byddai dyled lawn £373 miliwn prosiect cyfan Cylchdaith Cymru yn cael ei dosbarthu fel gwariant cyfalaf Llywodraeth Cymru*". Hoffai'r Pwyllgor eglurhad o ran pryd y cynhaliwyd y trafodaethau hyn, a phryd yn y broses diwydrwydd dyladwy y nodwyd y broblem cyfrifyddu hon am y tro cyntaf.
24. Mae'r Pwyllgor yn nodi'r cyfeiriad at 'grŵp llywodraethu mewnol' o fewn Llywodraeth Cymru i ddarparu her arbenigol. Hoffai'r Pwyllgor gael rhagor o

²⁰ Cofnod y Trafodion, paragraff 498

²¹ Cofnod y Trafodion, paragraff 349



wybodaeth am y Grŵp hwn, pwy sy'n rhan o'r Grŵp; pa her y maent yn ei gynnig o ran Cylchffordd Cymru, a sut y gwnaeth swyddogion ymateb?²²

Ymatebion Llywodraeth Cymru i Adroddiad yr Archwilydd Cyffredinol:

25. Fel y trafodwyd yn ystod y sesiwn dystiolaeth, roedd y Pwyllgor yn bryderus ynghylch y datganiad ysgrifenedig gan y Gweinidogion a oedd yn mynegi *syndod a siom* Llywodraeth Cymru o ran penderfyniad yr Archwilydd Cyffredinol i gyhoeddi ei adroddiad yn ystod y cyfnod cyn yr etholiad; a nododd nad oedd wedi cael digon o amser i ystyried ac ymateb i'r adroddiad cyn ei gyhoeddi. Roedd ymateb dilynol i gwestiwn ysgrifenedig y Cynulliad gan Adam Price yn egluro bod swyddogion yn gwybod am y cyhoeddiad a fwriadwyd o'r adroddiad ar 17 Mawrth 2017. O ystyried bod swyddogion yn gwybod dros fis cyn i'r Gweinidog gael eu hysbysu'n ffurfiol, byddem yn croesawu eglurhad ynghylch a oedd y Gweinidog wedi cael gwybod yn anffurfiol am fwriad yr Archwilydd Cyffredinol i gyhoeddi cyn cael gwybod yn ffurfiol ar 24 Ebrill?

26. Roedd y Pwyllgor yn arbennig o bryderus ar nifer o achlysuron drwy gydol y sesiwn dystiolaeth eich bod wedi honni bod gwallau ffeithiol yn adroddiad yr Archwilydd Cyffredinol. Fel y mae'r Pwyllgor yn ei ddeall, mae adroddiadau'r Archwilydd Cyffredinol yn destun proses glirio sylweddol a thrwyadl er mwyn bod mor deg a chywir â phosibl, ac rydym yn dibynnu ar yr adroddiadau hyn i wneud gwaith craffu pellach o bynciau sy'n aml yn sensitif ac rydym yn ystyried yr awgrymiadau o wallau yn yr adroddiad yn ddifrifol iawn. Felly, ar wahân i'r gwall sy'n nodi bod y prawf Effeithlonrwydd Economaidd yn brawf y DU ac nid prawf Cymru,²³ a fyddech cystal â rhoi manylion, gyda thystiolaeth ategol, am y gwallau eraill yn yr adroddiad?

27. Yn olaf, yn ystod y sesiwn dystiolaeth gwnaethoch gyfeirio at fod wedi dysgu gwersi o ganlyniad i gyllid cychwynnol Cylchffordd Cymru, a fydd yn

²² Cofnod y Trafodion, paragraff 35.1

²³ Adroddiad Archwilydd Cyffredinol Cymru, paragraff 2.8



caniatáu inni wneud pethau'n well y tro nesaf.²⁴ A fyddech cystal â nodi'r gwersi a ddysgwyd a pha gamau y mae Llywodraeth Cymru yn eu cymryd?

Byddem yn ddiolchgar pe gallech ddarparu ymateb erbyn 25 Awst 2017, er mwyn i'r Pwyllgor ystyried hyn yn gynnar yn nhymor yr hydref. Byddwn unwaith eto yn ailadrodd ein bod yn gobeithio y bydd yr ymatebion a ddarperir gennych i'r llythyr hwn yn golygu y gall y Pwyllgor gwblhau'r ymchwiliad hwn heb yr angen am sesiwn dystiolaeth ychwanegol.

Yn gywir



Nick Ramsay AC
Cadeirydd

CC: Ms Shan Morgan, Ysgrifennydd Parhaol, Llywodraeth Cymru

²⁴ Cofnod y Trafodion, paragraff 433



Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group

Dirprwy Ysgrifennydd Parhaol • Deputy Permanent Secretary



Llywodraeth Cymru
Welsh Government

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

Our Ref/Your Ref:

11 September 2017

Annwyl Mr Ramsay,

Cyllid cychwynnol Llywodraeth Cymru ar gyfer prosiect Cylchffordd Cymru

Diolch am roi'r cyfle i mi ddarparu gwybodaeth ychwanegol am y cyllid cychwynnol ar gyfer prosiect Cylchffordd Cymru. Gobeithio y bydd yr ymatebion cynhwysfawr isod yn rhoi sicrwydd i chi ynglŷn â'r prosesau o wneud penderfyniadau yn ystod y gwaith o gyllido ac asesu'r prosiect mawr a chymhleth hwn. Yn unol â'ch cais, rwyf wedi ymgorffori safbwyntiau Mr McGuire a Mr Munday wrth goladu'r ymatebion i'ch cwestiynau cynhwysfawr. Mae'r ymatebion i'ch cwestiynau wedi'u cynnwys yn Atodiad 1.

Mae'r ymatebion i'r cwestiynau a ddarparodd y Clerc ar ôl sesiwn y Pwyllgor Cyfrifon Cyhoeddus wedi'u cynnwys yn Atodiad 2 hefyd.

Caiff y Pwyllgor weld yn y dystiolaeth ategol bod agweddau ar y ffordd y mae'r prosiect wedi'i drin, o edrych yn ôl, lle gallai swyddogion fod wedi defnyddio prosesau gwell. Rwy'n gwneud yn siŵr ein bod yn dysgu'r gwersi ac yn gwella'r prosesau hynny. Wrth ystyried y dystiolaeth, rwyf yn gobeithio y gwnaiff y Pwyllgor gadw mewn cof mor newydd a chymhleth yw'r prosiect a bod posibilrwydd y gallai fod wedi dod â buddiannau i ran o Gymru lle roedd angen am fuddsoddi ond a oedd hefyd yr un pryd yn fenter sylweddol i'r pwrs cyhoeddus.

James Price



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ATODIAD 1

Gwerth am Arian Cyffredinol

Cwestiwn 1

Yn ystod y sesiwn dystiolaeth ar 26 Mehefin 2017, gwnaethoch nodi:

“I am persuaded that we have achieved value for money for what we have got, yes, which is a project that is ready, subject to finance, to be delivered. So, yes.”

A bod £9.3 miliwn yn cynrychioli gwerth am arian waeth a yw'r Prosiect yn mynd yn ei flaen ai peidio. Yn sgil penderfyniad Llywodraeth Cymru ar 27 Mehefin, hoffai'r Pwyllgor wybod a ydych yn credu bod hwn yn ddatganiad dilys o hyd, a'ch cyfiawnhad dros y farn hon.

Diben y cyllid cychwynnol a ddarparwyd i Gwmni Datblygu Blaenau'r Cymoedd (HOVDC) oedd galluogi'r cwmni i ddatblygu achos busnes manwl a chynlluniau manwl, codi arian preifat a sicrhau caniatâd cynllunio priodol. Er bod Llywodraeth Cymru wedi penderfynu peidio â rhoi'r warant y gofynnwyd amdani, mae'r prosiect hwn yn fyw o hyd a gallai'r sector preifat fynd ati i'w roi ar waith.

Fel y nododd y Pwyllgor Cyfrifon Cyhoeddus, mae'r gost o ddatblygu prosiect Cylchffordd Cymru yn cael ei hystyried yn briodol ar gyfer prosiect mor gymhleth a mawr â hwn. Weithiau, ceir costau wrth ddatblygu prosiectau nad ydynt yn mynd rhagddynt. Mae'n bwysig buddsoddi'n ddigonol er mwyn penderfynu a yw prosiect yn ymarferol; pe na baem wedi gwneud hynny mae'n bosibl y byddai llai o ddata cadarn ar gael i ni fel sylfaen i'n penderfyniad terfynol.

Wrth asesu'r cymorth cychwynnol i HOVDC, aeth Llywodraeth Cymru ati i asesu'r risgiau o ddarparu cymorth ariannol i brosiect Cylchffordd Cymru a'r manteision cymharol posibl i'r economi. Penderfynwyd mai budd darparu'r cyllid cychwynnol fyddai datblygu'r prosiect a sicrhau'r effeithiau economaidd yn ei sgil. Ystyriwyd hyn yn erbyn y risg o adennill unrhyw gostau a ysgwyddwyd. Er bod y manteision hyn yn cael eu hystyried yn rhai risg uchel ar y pryd, credid eu bod yn cynrychioli gwerth am arian. Nid yw penderfyniad y Cabinet yn effeithio ar ddilysrwydd y datganiad hwn, a oedd yn seiliedig ar y dystiolaeth a oedd ar gael ar y pryd.

Felly ydw, rwy'n dal i gredu bod Llywodraeth Cymru ar y cyfan wedi sicrhau gwerth am arian er gwaethaf y penderfyniad a wnaed ar 27 Mehefin.

Cwestiwn 2

Byddai'r Pwyllgor yn croesawu unrhyw dystiolaeth ynghylch gwerth am arian mewn perthynas â thaliadau a wneir i gyflenwyr ar sail blaendaliadau misol.

Roedd holl gyllid Llywodraeth Cymru ar gyfer prosiect Cylchffordd Cymru wedi'i roi i HOVDC fel bod modd datblygu cynnig busnes ar gyfer y prosiect a allai chwilio am fuddsoddiad preifat. Fel cwmni un diben, nid oes gan HOVDC unrhyw weithwyr cyflogedig uniongyrchol, ac mae'n dibynnu ar osod ei holl swyddogaethau gweithredol ar contract.

Nid yw'n anarferol bod cynghorwyr proffesiynol yn codi ffioedd ar sail blaendaliadau misol yn hytrach nag ar sail cyfradd fesul awr neu fesul dydd. Mae hwn yn arfer cyffredin yn y farchnad fasnachol.

Cyflwynodd HOVDC anfonebau fel prawf o wariant a hawliwyd o dan y Grant Datblygu Eiddo neu'r warant banc. Roedd yr holl anfonebau'n nodi'r gwasanaethau a gyflenwyd i'r Cwmni a'r costau cysylltiedig. O'r rheini, roedd nifer ohonynt ar gyfer blaendaliadau misol.

Er enghraifft, derbyniodd Aventa flaendal misol o £42,500 y mis. Ar sail cyfartaledd o 20 o ddiwrnodau gwaith y mis, cost y blaendal hwn oedd £2,125 y dydd. Roedd cytundeb gwasanaeth Aventa gyda'r HOVDC ar gyfer darparu gwasanaethau gan gynnwys yr hyn a ddarparwyd gan Michael Carrick. Dywedodd HOVDC wrthym fod y tâl cadw hefyd yn cwmparu costau darparu gwasanaethau gan nifer o unigolion â gwybodaeth arbenigol yn y meysydd canlynol:

- Ynni adnewyddadwy
- Technoleg a dadansoddeg data
- Codi cyfalaf
- Cyllid ac adrodd
- Cyfathrebu a marchnata
- Adeiladu a negodi
- Ymchwil fasnachol
- Modelu ariannol

Cafodd y gwasanaethau eraill eu hanfonebu ar wahân ac yn uniongyrchol gan y cyflenwyr (ac eithrio Aventa) a chafodd y costau eu hawlio ar wahân fel rhan o'r Grant Datblygu Eiddo neu o dan y gwarant.

Felly, roedd swyddogion Llywodraeth Cymru yn credu bod gwerth y blaendal yn briodol a bod y prosiect yn cael ei roi ar waith ar gyflymder a ddangosai fod y gweithgareddau gofynnol yn cael eu cwblhau.

Cwestiwn 3

Yn ystod y sesiwn dystiolaeth, gwnaethoch ddyfynnu'r rhagdybiaethau craidd o 1000 o swyddi o'r Gylchffordd a 4000 o'r datblygiad dilynol. Wrth egluro'r rheswm dros beidio â phenderfynu buddsoddi ymhellach yng Nghylchffordd Cymru, dywedodd y Gweinidog:

'...once the initial track and directly related development... had reached a steady state of trading around the year 2024, the number of direct full-time-equivalent (FTE) operational jobs would be little over 100. In addition, the circuit development could create around 500 indirect FTE jobs through potential visitor spend, as well as approximately 500 FTE construction jobs while the track was being built.'

Sut y mae'r ffigurau a ddyfynnir yn y cyfarfod yn cysoni â'r ffigurau a ddyfynnir i gefnogi penderfyniad Llywodraeth Cymru i beidio ag ariannu'r prosiect?

Roedd fy nhystiolaeth i'r pwyllgor yn cyfeirio at waith Prifysgol De Cymru yn 2012-13 a oedd yn cynnwys rhagdybiaeth graidd ar y pryd y byddai prosiect Cylchffordd Cymru yn creu ychydig yn llai na 1,000 o swyddi. Hefyd, dangosodd yr adroddiad y byddai tua 4000 o swyddi yn deillio o'r datblygiad dilynol. Roedd y dadansoddiad hwn yn berthnasol i'r prosiect fel y'i rhagwelwyd ar y pryd, a rhaid sylweddoli bod y prosiect wedi esblygu'n sylweddol ers hynny, yn rhannol o ganlyniad i'r ddeialog â Llywodraeth Cymru, a bod cynigion cyflogaeth y cwmni wedi'u newid ymhellach.

Un enghraifft o natur newidiol y prosiect yw'r ffaith fod y wybodaeth a gyflwynwyd i Fwrdd Cynghorol Datblygu Diwydiannol Cymru ym mis Mehefin 2014 i gefnogi'r cais am grant yn seiliedig ar 304 o weithwyr cyflogedig cyfwerth ag amser llawn, a oedd yn cynnwys 49 o weithwyr cyflogedig parhaol llawn-amser a staff dros dro ar gyfer digwyddiadau a oedd yn cyfateb i 255 o weithwyr cyfwerth ag amser llawn.

Wrth wneud y penderfyniad diweddar, roedd y dadansoddiad o gyflogaeth bosibl yn seiliedig ar y wybodaeth ddiweddaraf a gyflwynodd HOVDC yn gynharach eleni i gefnogi ei gais, ac mae'n adlewyrchu ei gynnig diweddaraf.

Caffael FTR

Cwestiwn 4

Yn ystod y sesiwn dystiolaeth, gwnaethoch ddweud eich bod yn ystyried bod prynu FTR yn cynrychioli gwerth am arian, a ydych yn dal i feddwl bod hyn yn wir, ac os felly, sut y mae'n cynrychioli gwerth am arian?

Roedd prynu FTR yn rhan o'r cyllid a ddarparwyd drwy'r Grant Datblygu Eiddo i alluogi HOVDC i ddatblygu achos busnes a fyddai'n ei alluogi i gyrchu cyllid gan y sector preifat i adeiladu canolfan chwaraeon moduro ffyniannus fel rhan o brosiect Cylchffordd Cymru. Penderfynwyd darparu'r cyllid yn gynnar yn y broses a thwybiwyd bod y penderfyniad hwnnw'n un cadarn ar y pryd.

Y sail resymegol ar gyfer cynnwys FTR fel rhan o'r Grant Datblygu Eiddo oedd y ffaith y byddai'r cwmni yn symud i safle Cylchffordd Cymru a bod yn sbardun i ddatblygu clwstwr o gwmnïau tebyg a allai ddefnyddio'r gylchffordd. Pe bai HOVDC wedi gallu bwrw ymlaen â'r prosiect yn unol â'r amserlen a awgrymwyd yn wreiddiol, mae'n bosibl y byddai FTR wedi gallu adleoli i Gymru yn unol â chynnig HOVDC.

Ystyriwyd bod prynu FTR yn cyd-fynd â Cham 1 o brosiect Cylchffordd Cymru gan fod swyddogion wedi cytuno wrth drafod y Grant Datblygu Eiddo bod prynu FTR yn elfen allweddol o ddatblygu'r cynnig busnes, yn enwedig o safbwynt bod yn sbardun i ddatblygu'r clwstwr Rasio Cerbydau a'r Sector Uwch Beirianeg a dargedwyd. Byddai'r budd mwyaf yn deillio o'r clwstwr hwn o safbwynt yr effaith ar swyddi lleol ac economi Cymru yn ehangach.

Yn anffodus, oherwydd yr oedi yn sgil methiant HOVDC i sicrhau'r buddsoddiad gofynnol gan y sector preifat, nid oedd modd bwrw ymlaen â'r cynllun arfaethedig i ddatblygu beic modur 'Cymreig', ac aeth cwmni FTR i ddwylo'r gweinyddwyr.

O ganlyniad i'r amgylchiadau annisgwyl hyn, nid yw'r broses benodol o gynnwys FTR fel rhan o'r costau cymwys ar gyfer y Grant Datblygu Eiddo wedi cynrychioli gwerth am arian yn y sefyllfa benodol hon.

Cwestiwn 5

Gwnaethoch hefyd gyfeirio at y gwaith craffu sylweddol a oedd yn cael ei wneud ar y Grant, a byddem yn hoffi gwybod pa fath o waith craffu penodol a wnaed ar yr eitem FTR?

Mae Llywodraeth Cymru wedi cynyddu lefel y craffu ar Grantiau Datblygu Eiddo ers y dyfarniad hwn. Fel y dywedais wrth y pwyllgor wrth gyflwyno fy nhystiolaeth, mae lefel y gwaith craffu yn sylweddol uwch-erbyn hyn.

Mewn perthynas â'r eitem FTR, cwestiynwyd yn llafar sail resymegol y pryniant cyn cytuno y byddai costau'r pryniant yn cael eu cynnwys fel gwariant cymwys. Yn sgil craffu ar y cais, ni chaniatawyd rhan o'r gwariant yn ymwneud ag FTR gan ei fod yn ymwneud â chyfalaf gweithio yn hytrach na'r gwariant cymwys ar gyfer y pryniant.

Mae Llywodraeth Cymru yn derbyn bod angen mwy o waith craffu yn ystod y cam arfarnu cyn cynnwys pryniant FTR yng nghostau cymwys y Grant Datblygu Eiddo. Fel y nodwyd yn y sesiwn dystiolaeth, rydym wedi gwella'r lefel graffu yn y maes hwn.

Cwestiwn 6

Er gwaethaf eich sicrwydd yn y cyfarfod bod y gymeradwyaeth ar gyfer prynu FTR gydag arian y Grant wedi'i hystyried yn fanwl ac yn cyd-fynd gyda'r prosiect mae'r Pwyllgor yn aneglur o hyd ynghylch sut y daethpwyd i'r casgliadau hyn. Felly, a fyddech cystal ag egluro'n union:

- sut yr oedd y rhesymeg dros Gwmni Datblygu Blaenau'r Cymoedd (HOVDC) i gaffael FTR yn cyd-fynd â dibenion ac amcanion cynllun y Grant Datblygu Eiddo?

- sut yr oedd y rhesymeg dros HOVDC i gaffael FTR yn ffitio o fewn dibenion Cam 1 Prosiect Cylchffordd Cymru?

Mae Cylchffordd Cymru yn brosiect datblygu eiddo unigryw ac roedd y cwmni yn chwilio am gymorth i ddatblygu cynnig busnes er mwyn sicrhau cyllid gan y sector preifat a chyflwyno cais cynllunio. Er nad yw Cylchffordd Cymru yn brosiect eiddo safonol, mae'n cyd-fynd â datblygu eiddo yn fwy nag unrhyw weithgaredd arall. Mae gan Lywodraeth Cymru'r pŵer i ddarparu grantiau at unrhyw ddiben, ond y dewis sy'n cael ei ffafrio, os oes modd, yw cynllun grant safonol.

Mae'r cynllun Grant Datblygu Eiddo yn darparu cymorth i fusnesau ddatblygu a meithrin atebion eiddo yng Nghymru, tra bod grantiau buddsoddi yn tueddu i gael eu defnyddio ar gyfer busnes sydd eisoes yn bodoli neu fusnes newydd yn hytrach nag eiddo.

O ganlyniad, cafodd Grant Datblygu Eiddo ei ystyried yn addas i'r prosiect gan ei fod yn canolbwyntio ar ddatblygu cylchffordd lwyddiannus. Hefyd, roedd HOVDC wedi dweud wrth swyddogion bod cwmni FTR cyn bwysiced i lwyddiant y Prosiect â'r Drwydded MotoGP. Cytunwyd y byddai'r gwariant yn briodol i fwrw ymlaen â'r prosiect.

Ystyriwyd bod prynu FTR yn cyd-fynd â Cham 1 o brosiect Cylchffordd Cymru gan fod swyddogion wedi cytuno wrth drafod y Grant Datblygu Eiddo bod prynu FTR yn elfen allweddol o ddatblygu'r cynnig busnes arfaethedig, yn enwedig o safbwynt bod yn sbardun i ddatblygu'r clwstwr Rasio Cerbydau a'r Sector Uwch Beirianeg a dargedwyd. Byddai'r budd mwyaf yn deillio o'r clwstwr hwn o safbwynt yr effaith ar swyddi lleol ac economi Cymru yn ehangach.

Pe bai'r broses o brynu FTR wedi'i gohirio tan Gam 2 o'r prosiect, byddai'r achos busnes a oedd yn cael ei ddatblygu i gael hyd i arian sector preifat fel rhan o Gam 1 wedi'i wanhau. Drwy gynnwys FTR yn y rhan hon o'r prosiect, roedd modd dangos bod yna ddiddordeb eisoes ynghyd â lefel o ymrwymiad i Gylchffordd Cymru a'r parc technoleg cysylltiedig.

Cwestiwn 7

Mae'r Pwyllgor yn aneglur o'ch tystiolaeth a byddem yn croesawu eglurhad ynghylch p'un a fyddai cynnwys eitem C1000 i'r FTR, 2022 dodd yr Archwilydd Cyffredinol

nad yw'n cyd-fynd â dibenion craidd cynllun grant, yn cael ei ystyried yn eithriadol, a'ch rhesymau dros benderfyniad o'r fath.

Roedd y sail resymegol ar gyfer cynnwys FTR fel costau cymwys ar gyfer cyllid y Grant Datblygu Eiddo yn seiliedig ar y ffaith fod swyddogion yn credu y byddai FTR yn dod ag arbenigedd a fyddai'n sbardun ar gyfer clwstwr o fusnesau cysylltiedig o gwmpas Cylchffordd Cymru yn y dyfodol. Yr adeg hynny, roedd y gwaith o ddatblygu achos busnes ar gyfer Cylchffordd Cymru wedi cyrraedd cyfnod tyngedfennol, ac eglurodd HOVDC wrth swyddogion fod y drwydded MotoGP a phrynu FTR yn ofynnol er mwyn cwblhau'r agweddau ariannol ac yn hanfodol i gefnogi refeniw yn y dyfodol i sicrhau'r buddsoddiad.

Wrth edrych ar y mater ar wahân, rydym yn deall pam y gallai Archwilydd Cyffredinol Cymru ystyried bod prynu FTR yn weithred eithriadol. Fodd bynnag, roedd darparu'r Grant Datblygu Eiddo yn canolbwyntio ar alluogi HOVDC i ymgymryd â phroses datblygu eiddo i gwblhau'r agweddau ariannol: caniatâd cynllunio a chodi arian oedd yr ysgogwyr llwyddiant allweddol. Ar y pryd, roedd swyddogion yn ystyried bod prynu FTR yn cyd-fynd ag amcanion datblygiadau HOVDC a oedd yn cael eu hariannu gan y Grant Datblygu Eiddo, gan ddod i'r casgliad nad oedd prynu FTR yn eithriadol.

Mae'r broses graffu ar geisiadau'r Grant Datblygu Eiddo wedi'i gwella'n sylweddol ers dyfarnu'r cyllid i HOVDC. Erbyn hyn, byddai angen i gais am gyllid Grant Datblygu Eiddo gwerth £2 filiwn gael ei ystyried gan y Tîm Arweinyddiaeth Eiddo (PLT), y Panel Buddsoddi, a Bwrdd Cynghorol Cymru ar Ddatblygu Diwydiannol (WIDAB) cyn bod argymhelliad yn cael ei wneud i'r Gweinidog perthnasol. Mae'r lefel graffu hon yn sylweddol uwch ac mae'n debygol o sicrhau bod eitemau posibl o natur eithriadol yn cael eu trafod a'u hystyried yn llawn.

Felly, pe bai cyllid y Grant Datblygu Eiddo ar gyfer HOVDC yn cael ei ystyried o dan y broses newydd hon, mae'n debygol y byddai prynu FTR yn cael ei nodi'n weithred eithriadol ac y byddai unrhyw argymhelliad i'r Gweinidog perthnasol yn cyfeirio at hynny.

Cwestiwn 8

Cafodd y Grant ei ôl-ddyddio o dri mis bron (am resymau nad yw Llywodraeth Cymru wedi'u hesbonio i'r Pwyllgor eto) a chafodd y taliad FTR ei wneud cyn i'r grant gael ei ddyfarnu. Gofynnir i Lywodraeth Cymru gadarnhau a wnaeth Llywodraeth Cymru adolygu'r contract prynu/gwerthu FTR cyn cymeradwyo i FTR gael ei gynnwys yn rhan o'r grant datblygu eiddo, ac os nad, pam hynny?

Cafodd y cyllid Grant Datblygu Eiddo i HOVDC ei gymeradwyo gan y Gweinidog ar 9 Awst 2012. Ar ôl cymeradwyaeth y Gweinidog, aeth swyddogion ati i ddatblygu'r llythyr dyfarnu gyda'r gwasanaethau cyfreithiol, gan gyfarfod â HOVDC i egluro manylion y llythyr a'r amodau cysylltiedig. Cafodd y llythyr dyfarnu terfynol ei gyflwyno i HOVDC ar 11 Hydref 2012 a'i lofnodi gan y cwmni ar 16 Hydref 2012.

Nid yw'n anarferol i ddyddiad dechrau'r cyfnod cyllido a nodir yn y llythyrau dyfarnu fod yr un fath â'r dyddiad cymeradwyo, sef yn yr achos hwn 9 Awst 2012. Yn yr achos hwn, nododd y llythyr dyfarnu mai 1 Awst 2012 oedd dyddiad dechrau'r cyfnod cyllido, hynny ar gais HOVDC. Mae newidiadau o'r fath yn cael eu gwneud yn ôl disgrisiwn swyddogion perthnasol cyn i'r prosiect gael ei gymeradwyo'n ffurfiol. Mae'r cwmni sy'n gofyn am y cyllid yn derbyn y risg o wneud unrhyw waith rhwng dyddiad dechrau'r cyfnod cyllido a'r dyddiad cymeradwyo.

Yn yr achos hwn, ni wnaeth HOVDC gynnwys unrhyw wariant cyn 9 Awst yn unrhyw un o'r ceisiadau a wnaed yn erbyn cynnig y Grant Datblygu Eiddo.

Ni allaf gadarnhau bod Llywodraeth Cymru wedi adolygu contract gwerthu/prynu FTR cyn cynnwys costau prynu FTR yng nghostau cymwys y grant. Cafwyd digon o dystiolaeth gan Shoosmiths, oedd yn gweithredu ar ran HOVDC, i brofi bod y contract wedi'i arwyddo a'i fod yn ei le cyn talu'r hawliad. Er hynny, yn fy marn i, dylai'r contract FTR fod wedi'i adolygu cyn i'r weithred o brynu FTR gael ei chynnwys fel gwariant cymwys, neu o leiaf cyn talu'r hawliad. Fel y nodwyd yn gynharach, mewn ymateb i gwestiwn 7, mae'r broses graffu ar gyfer ceisiadau'r Grant Datblygu Eiddo wedi'i gwella'n sylweddol ers dyfarnu'r cyllid i HOVDC.

Cwestiwn 9

Mae gan y Pwyllgor bryderon penodol ynghylch y penderfyniad i brynu FTR o bosibl ddim yn cael ei gymeradwyo gan y Gweinidog. Byddem yn croesawu ymateb ynghylch pam nad oes unrhyw dystiolaeth o gymeradwyaeth o'r cyllid grant ar gyfer caffael FTR yn cael ei dwyn i sylw'r Gweinidogion? Ac o dan ba amgylchiadau y credwch ei bod yn briodol dwyn neu beidio â dwyn eitem o'r fath i sylw'r Gweinidog?

Fel y nodwyd yn sesiwn y Pwyllgor Cyfrifon Cyhoeddus, pan fydd y Gweinidog yn gofyn am gymeradwyo cyllid grant, fel arfer nid yw'r cyngor cysylltiedig yn nodi'r holl wariant cymwys sy'n debygol o gael ei gynnwys yn y llythyr dyfarnu.

Ar y pryd, roedd swyddogion yn credu bod prynu FTR yn cyd-fynd ag amcanion y cynllun Grant Datblygu Eiddo, ac nid oeddent yn ystyried y pryniant yn un eithriadol. Roedd darpariaeth y Grant Datblygu Eiddo yn canolbwyntio ar alluogi HOVDC i ymgymryd â phroses datblygu eiddo er mwyn cwblhau'r agweddau ariannol, ac roedd caniatâd cynllunio a chodi arian yn sbarduno llwyddiant. Roedd swyddogion yn credu bod cynnwys FTR yn elfen bwysig, a gan fod y costau'n cael eu hystyried yn gostau cymwys o safbwynt y Grant Datblygu Eiddo, ni chafodd y pryniant ei ddwyn i sylw penodol y Gweinidog.

Yn gyffredinol, nid yw cyflwyniadau i Weinidogion yn nodi'r holl wariant sydd wedi'i gynnwys mewn cais am grant. Fodd bynnag, dylid dwyn eitemau i sylw'r Gweinidog os ydynt yn newydd, yn ddadleuol, yn eithriadol neu os oes ganddynt oblygiadau.

Fel y nodwyd yng nghwestiwn 7, pe bai'r broses gymeradwyo fanylach ar gyfer y Grant Datblygu Eiddo yn cael ei defnyddio ar gyfer cais Cylchffordd Cymru heddiw, mae disgwyl y byddai prynu FTR wedi cael ei ystyried yn eithriadol a byddai wedi cael ei ddwyn at sylw'r Gweinidog.

Cwestiwn 10

Nododd y Pwyllgor y sylwadau gennych chi a Ms Mayes ynghylch cadw cofnodion, sef y dylai swyddogion gadw cofnodion manwl o'r holl gyfarfodydd a sgysiau gydag ymgeiswyr am gyllid ac y byddai arfer da y lefel isaf sy'n angenrheidiol i ddangos pam eich bod wedi gwneud yr hyn y gwnaethoch. Byddai'r Pwyllgor yn hoffi gwybod pa gyfiawnhad sydd ar gyfer y swyddogion yn peidio â chadw cofnodion yn ymwneud â'r penderfyniad ynghylch FTR a pham nad oes unrhyw ddogfennau cyfoes yn ymwneud â FTR?

Yn yr achos hwn, fy marn i yw y dylai safon y gwaith cadw cofnodion ar y pryd fod yn well. Fodd bynnag, ymddengys mai diffyg gweinyddol a oedd yn gyfrifol am hynny, yn bennaf oherwydd y lefel uchel o wybodaeth gymhleth a oedd yn cael ei rhannu mewn nifer sylweddol o gyfarfodydd ac mewn sgysiau eraill rhwng swyddogion a HOVDC; nid yw'n

adlewyrchu penderfyniad ymwybodol ar ran swyddogion i beidio â chadw cofnod priodol o'r broses o wneud penderfyniadau neu gadw dogfennau cyfoes.

Datblygodd y prosiect yn gyflym iawn, ac mae'n debyg y byddai unrhyw drafodaeth ynglŷn â chynnwys FTR wedi digwydd mewn cyfarfodydd wyneb yn wyneb yn hytrach na thrwy rannu dogfen ar ffurf copi caled. Roedd swyddogion yn fodlon bod y sail resymegol ar gyfer cynnwys FTR yn y Grant Datblygu Eiddo yn cydymffurfio â'r cynllun grant, a bod prynu FTR yn rhan annatod o gam cyntaf y prosiect a fyddai'n galluogi HOVDC i fwrw ymlaen â'r prosiect.

Ers hynny, mae Llywodraeth Cymru a'r adran wedi canolbwyntio mwy ar yr angen i gadw cofnodion priodol er mwyn dangos sail resymegol penderfyniadau sy'n cael eu hargymell a'u gwneud, er enghraifft, rwyf wedi cysylltu â holl swyddogion ESNR i'w hysbysu o bwysigrwydd cadw cofnodion cywir ac mae'r mater wedi'i drafod hefyd yng nghyfarfodydd y tîm rheoli ac ym mhob digwyddiad ar gyfer staff.

Rhagor o gwestiynau mewn perthynas â thystiolaeth lafar

Cwestiwn 11

Yn ystod y sesiwn dystiolaeth, gwnaethoch ddweud bod HoVDC yr ail dro y mae Llywodraeth Cymru wedi darparu gwarant benthyciad. Byddai'r Pwyllgor yn croesawu rhagor o wybodaeth am ddarparu gwarantau benthyciad gan Lywodraeth Cymru. Yn benodol:

- beth oedd y warant gyntaf y cyfeirir ati yn y dystiolaeth?
- sut y cafodd y warant ei sicrhau?
- a alwyd arni? Os felly, a gafodd Llywodraeth Cymru yr arian yn ôl?
- a oes unrhyw warantau eraill wedi cael eu ceisio, eu gwrthod neu eu darparu?

Roedd y warant benthyciad gyntaf a ddarparodd Llywodraeth Cymru yn ymwneud â chyfleuster gorddrafft Unity Mine o'u banc o £2 filiwn. Cyfanswm y warant oedd £1.6 miliwn ac fe'i cytunwyd ym mis Medi 2012.

Sicrhawyd gwarant Unity Mine yn erbyn asedau mwyngloddio ar y safle.

Galwyd y warant i mewn yn ystod blwyddyn ariannol 2013/14 ar ôl i'r cwmni fynd i ddwylo'r gweinyddwyr ym mis Hydref 2013. Galwyd a thalwyd cyfanswm o £1.56 miliwn i'r banc, ac adenillwyd £1.57 miliwn yn dilyn penderfyniad y gweinyddwyr ar y cyd i werthu'r asedau mwyngloddio ym mis Chwefror 2014. Roedd y taliad o £1.57 miliwn i Lywodraeth Cymru yn cynnwys gwerth y warant a alwyd, yn ogystal â ffioedd a llog, a gwnaed y taliad ym mis Gorffennaf 2014.

Ni yw Unity Mine yn masnachu bellach, a dyna pam mae Llywodraeth Cymru yn gallu darparu'r wybodaeth am warant y cwmni hwn.

Mae Llywodraeth Cymru wedi cael ceisiadau am warantau oddi wrth drydydd partïon wrth gyd-drafod prosiectau eraill, ac mae rhai o'r ceisiadau hynny wedi mynd ymhellach na'r trafodaethau cychwynnol.

Cwestiwn 12

Mae'r angen am wahanu dyletswyddau o ran swyddogion sy'n ymwneud â chefnogi ceisiadau am gyllid gan y rheini sy'n gyfrifol am awdurdodi taliadau yn rheolaeth sylfaenol. Cafodd y Pwyllgor sicrwydd gennyh chi a Ms Mayes yn y cyfarfod fod y prosesau yn bodoli o fewn Llywodraeth Cymru. Fodd bynnag, mae'r sicrwydd hwn yn dal i ymddangos yn groes i'r canfyddiadau yn adroddiad yr Archwilydd Cyffredinol fod swyddog ar 11 Ionawr 2013 wedi cyfarwyddo ei gydweithiwr cyllid i dalu cais am grant, er nad oedd swyddogion Llywodraeth Cymru wedi gweld y rhannau perthnasol o'r contract gwerthiant amodol. Felly, byddem yn croesawu eglurhad ar sut y mae cyfarwyddyd y swyddog hwn a sut y cafodd ei weithredu yn dangos y gwahaniad priodol o ddyletswyddau.

Mae Llywodraeth Cymru yn cytuno'n llwyr ei bod yn hanfodol gwahanu'r dyletswyddau rhwng y tîm cyllid a'r tîm sy'n cysylltu'n rheolaidd ag unrhyw un sy'n derbyn grant.

Yn yr achos hwn, roedd y tîm a oedd yn ymwneud â HOVDC yn rheolaidd wedi derbyn y cais am grant a'r dystiolaeth gysylltiedig gan y cwmni. Credwyd bod manylion y cais yn cadarnhau bod tystiolaeth o wariant wedi'i darparu yn unol â'r llythyr dyfarnu. Trosglwyddwyd y dystiolaeth a'r cadarnhad bod y cais yn ddilys i gael eu hystyried a'u cymeradwyo gan y tîm cyllid wedyn.

Yn unol â'i asesiad annibynnol o'r cais, roedd angen gwybodaeth ychwanegol gan HOVDC ar y tîm cyllid, gan gynnwys anfonebau TAW perthnasol a chadarnhad gan y cynrychiolwyr cyfreithiol perthnasol bod taliadau wedi'u gwneud. O ganlyniad, cafwyd gohebiaeth sylweddol ar ffurf e-bost rhwng swyddogion y ddau dîm er mwyn cadarnhau union natur y dystiolaeth i'w darparu. Cafodd y tîm a oedd yn ymwneud â'r cwmni afael ar y wybodaeth ychwanegol hon gan HOVDC, sy'n arfer cyffredin.

Ar ôl i HOVDC ddarparu'r wybodaeth ychwanegol, rhoddwyd y dystiolaeth i'r tîm cyllid i gael ei hystyried a'i chymeradwyo. Er bod yr e-bost gan y swyddogion a oedd yn ymwneud â chefnogi HOVDC a'i gais am gyllid yn datgan: 'I therefore would confirm my revised confirmation that the grant claim should be paid'. Argymhelliad oedd hwn, nid cyfarwyddyd. Fel y dangoswyd yn gynharach yn y trywydd e-bost, nid oedd y tîm cyllid yn fodlon cymeradwyo taliad heb dderbyn tystiolaeth ddigonol. Cymeradwywyd y taliad ar sail y ffaith fod tystiolaeth ddigonol wedi'i darparu i'r tîm cyllid er mwyn rhoi'r sicrwydd gofynnol iddo.

Er nad oedd unrhyw un o'r swyddogion a oedd yn ymwneud â'r prosesau hyn wedi gweld y contract gwerthiant amodol yn ei gyfanrwydd, roedd tystiolaeth ddigonol wedi'i darparu i ddangos bod y contract wedi'i lofnodi a'i fod ar waith.

Felly, rwy'n fodlon bod y trywydd e-bost yn dangos bod dyletswyddau wedi'u gwahanu'n briodol.

Cwestiwn 13

Mae adroddiad yr Archwilydd Cyffredinol yn nodi bod taliadau grant y Grant Datblygu Eiddo i HoVDC yn cynnwys ad-dalu HoVDC am flaendal a ddaliwyd mewn ysgrow, ac ni fyddai'r math hwn o daliad fel arfer yn cael ei ystyried yn gymwys i gael grant gan ei fod yn cynrychioli setlo taliad nad yw wedi'i ad-dalu eto. Yn ystod y sesiwn dystiolaeth, dywedodd Ms Mayes yn yr achos hwn y credai Llywodraeth Cymru ei bod yn iawn yn talu'r swm llawn a hawli'r HoVDC, fodd bynnag, nid yw'n glir pam y daethpwyd i'r casgliad hwn. Er ein bod yn derbyn nad yw blaendal a ddelir mewn ysgrow yn anarferol mewn trafodion gwerthiannau eiddo amodol, rydym hefyd yn nodi nad yw symiau o'r fath yn wariant cymwys fel arfer - felly a fyddech cystal ag

egluo pam yn yr achos hwn fod Llywodraeth Cymru wedi ystyried bod y taliad hawlio grant hwn yn gywir?

Nododd llythyr dyfarnu'r Grant Datblygu Eiddo y byddai HOVDC yn cael ei dalu ar sail system ad-dalu, sy'n golygu bod y taliad i gyflenwyr ac ati wedi gorfod gadael cyfrif banc HOVDC. Fel arfer mae Llywodraeth Cymru yn ystyried bod taliad i gyfrif ysgrow yn gymwys ar gyfer grant gan fod y taliad wedi'i ad-dalu gan dderbynnwyd y grant. Mewn nifer o achosion, mae taliadau grant wedi'u gwneud ac mae'r gwariant wedi gadael cyfrif derbynnwyd y grant a'i roi mewn cyfrif ysgrow.

Yn yr achos hwn, gofynnodd y tîm cyllid am wybodaeth ychwanegol benodol er mwyn dangos bod yr arian wedi'i ad-dalu gan HOVDC. Cafwyd cadarnhad gan gyfreithwyr HOVDC bod y swm o £200,000 ar gyfer y tir wedi'i drosglwyddo i gyfreithiwr y tîrfeddiannwr ar 17 Rhagfyr 2012. Yn unol â'r contract rhwng HOVDC a'r tîrfeddiannwr, cafodd swm o £100,000 ei gadw gan gyfreithiwr y tîrfeddiannwr (yn y cyfrif ysgrow) fel blaendal, a thalwyd y £100,000 arall i'r tîrfeddiannwr.

Felly, roedd swyddogion yn fodlon bod HOVDC wedi ad-dalu'r swm o £200,000 yn ei gyfanrwydd, ac felly roedd yn elfen gymwys o'r cais am daliad.

Cwestiwn 14

Mewn ymateb i gwestiynau'r Pwyllgor ynghylch pam nad oedd cyfrifon HoVDC wedi'u harchwilio, dywedodd Ms Mayes nad oedd cyfrifon y cwmni wedi'u harchwilio am nad oedd yn ofynnol i'r cwmnïau wneud hynny. Mae gennym rai pryderon sylweddol am hyn gan mai un o ofynion y cytundeb gwarant benthyciad oedd i HoVDC ddarparu cyfriflenni ariannol wedi'u harchwilio i Lywodraeth Cymru. Felly, hoffem eglurhad ynghylch pam y cafodd yr amod hwn i ddarparu cyfriflenni ariannol wedi'u harchwilio ei osod fel rhan o warant y benthyciad? Ac yna pam na chafodd yr amod hwn ei orfodi?

Mae'r cytundeb gwarant benthyciad rhwng HOVDC a Gweinidogion Cymru yn datgan yng Nghynsail yr Amodau bod angen i HOVDC ddarparu copi o'i 'audited financial statements for the period ending 31 May 2014'. Mae hwn yn amod bancio safonol ac roedd wedi'i gynnwys yn y cytundeb fel y gallai weithredu o dan delerau masnachol yn unol ag Egwyddorion Gweithredol Economi'r Farchnad (MEOP). O ystyried statws y cwmni, dylai'r amod fod wedi'i eirio'n well i ofyn am ddarparu cyfrifon statudol, gan nad oedd rhwymedigaeth gyfreithiol ar HOVDC i ddarparu cyfrifon wedi'u harchwilio.

Lluniwyd y cytundeb gan y tîm cyfreithiol allanol a oedd yn cynghori Gweinidogion Cymru, a gofynnodd y tîm hwn i gyfreithwyr HOVDC am y dystiolaeth ar gyfer y Cynsail Amodau. Wedyn, cadarnhaodd gyfreithwyr HOVDC ar ffurf ysgrifenedig na allent ddarparu cyfrifon wedi'u harchwilio ar gyfer mis Mai 2014 gan nad oedd unrhyw ddatganiadau ariannol a archwiliwyd wedi'u paratoi ar gyfer HOVDC. Yn hytrach, derbyniodd ein cyfreithwyr ddatganiadau ariannol heb eu harchwilio ar gyfer y flwyddyn yn dod i ben 31 Mai 2013. Hefyd, darparwyd cyfrifon rheoli a rhagolygon llif arian hyd at fis Rhagfyr 2014. O ystyried bod trefniadau ar waith i lofnodi'r cytundeb ym mis Gorffennaf 2014, nid oes syndod nad oedd cyfrifon ar gael ar gyfer y cyfnod hyd at 31 Mai 2014.

Wedyn, hysbysodd ein cyfreithwyr y swyddogion fod HOVDC wedi darparu dystiolaeth ddigonol i roi sicrwydd bod yr amod penodol hwn wedi'i fodloni, a'i fod wedi darparu copiâu caled o'r dystiolaeth ar gyfer yr amod hwn ac amodau eraill.

Cwestiwn 15

Cwestiynodd y Pwyllgor y penderfyniad i beidio â rhoi gwybod i Fwrdd Cynghorol Datblygu Diwydiannol Cymru am y cymorth gwarant benthyciad posibl pan oeddent yn ystyried a ddylai gefnogi'r cais cyllid busnes ad-daladwy o £80 miliwn ar gyfer y prosiect hwn. Byddem yn croesawu eglurhad, pe byddai'r un amgylchiadau'n codi, a fyddai Llywodraeth Cymru bellach yn dweud wrth Fwrdd Cynghorol Datblygu Diwydiannol Cymru am y warant benthyciad posibl?

Mae canllawiau Bwrdd Cynghorol Datblygu Diwydiannol Cymru wedi'u diweddarau yn sgil argymhellion Swyddfa Archwilio Cymru ar ôl rhoi cyllid cychwynnol i Gylchffordd Cymru.

Mae'r Canllaw Cyllid Busnes diwygiedig yn datgan, fel rhan o'r broses argymhellion ar gyfer achos Bwrdd Cynghorol Datblygu Diwydiannol Cymru, bod yn rhaid i Bennaeth y Sector sicrhau bod y Bwrdd yn cael gwybod am unrhyw gymorth arall sy'n cael ei roi i brosiect gan Lywodraeth Cymru, waeth a yw'r cymorth hwnnw wedi'i gymeradwyo eto ai peidio.

O ganlyniad i'r canllaw diwygiedig hwn, bydd Bwrdd Cynghorol Datblygu Diwydiannol Cymru yn cael gwybod am gymorth gwarant benthyciad posibl os yw'r un amgylchiadau'n codi.

Cwestiwn 16

Roedd y Pwyllgor yn arbennig o bryderus ynghylch y canfyddiadau yn adroddiad yr Archwilydd Cyffredinol bod swyddogion Llywodraeth Cymru ei hun yn cynghori y gallai darparu'r warant benthyciad yn ychwanegol at y Cyllid Busnes Ad-daladwy fod yn broblem o ran cymorth gwladwriaethol ac na all gynnig unrhyw sicrwydd i Weinidogion y byddai'r cynigion yn sefyll i fyny i ddadansoddiad neu archwiliad barnwrol gan y Comisiwn Ewropeaidd. O ystyried y cyngor a roddwyd i Lywodraeth Cymru mewn perthynas â'r risg o ddarparu Cymorth Gwladwriaethol anghyfreithlon, hoffem gael eglurhad pellach ar ba sail y mae Llywodraeth Cymru yn gweithredu fel buddsoddwr yn y farchnad?

Cyn argymhell bod gwarant yn cael ei darparu i HOVDC, roedd Llywodraeth Cymru yn fodlon bod y gyfradd llog yn cyd-fynd ag egwyddorion economi'r farchnad. Wrth benderfynu'r llog i'w chodi ar HOVDC ar gyfer y warant, ystyriodd swyddogion y canlynol:

- Y gyfradd llog a godwyd gan fanc HOVDC ar gyfer gwarant benthyciad prosiect Cylchffordd Cymru;
- Y cyfraddau llog y byddai Cyllid Cymru wedi'u codi ar gwmni bach ar gyfer benthyciad heb ei warantu; a
- Chanllawiau'r Comisiwn Ewropeaidd ar benderfynu methodoleg y gyfradd gyfeirio ([http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52008XC0119\(01\)&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52008XC0119(01)&from=EN)) ar gyfer cwmni newydd â lefel gwarant isel.

Roedd y gyfradd llog a godwyd ar HOVDC ar gyfer y warant yn uwch na'r cyfraddau llog a nodwyd yn y gwaith ymchwil hwn. Defnyddiwyd arbenigedd cyfreithiol allanol i ddatblygu contract cyfreithiol manwl, gan gynnwys gwarantu asedau'r HOVDC (a'i is-gwmnïau) a chynnydd sylweddol yn y gyfradd llog pe bai'r warant yn cael ei galw i mewn.

Roedd y broses o roi'r fethodoleg hon ar waith yn rhoi sicrwydd bod Llywodraeth Cymru yn gweithredu fel buddsoddwr yn y farchnad.

Wrth ddarparu cyngor i Weinidogion, mae'n hollbwysig bod swyddogion yn rhoi gwybod i Weinidogion am unrhyw beryddol posibl sy'n gysylltiedig ag unrhyw benderfyniad. Gall y

broses o roi cymorth gwladwriaethol, ac o ddefnyddio egwyddor gweithredwr economi'r farchnad yn benodol, arwain at her bob amser. Amlygwyd y perygl hwn yn y cyngor a roddwyd i'r Gweinidog er mwyn iddi allu gwneud penderfyniad oedd yn seiliedig ar ffeithiau, gan ystyried yr holl wybodaeth a'r dadansoddiadau oedd ar gael.

Cwestiwn 17

Ychydig o eglurder a gafodd y Pwyllgor ynghylch ei gwestiynau am ba sicrwydd oedd gan Lywodraeth Cymru o ran gallu HoVDC i dalu gwarant y benthyciad yn ôl. O ystyried penderfyniad Llywodraeth Cymru, a ydych bellach yn cytuno bod Llywodraeth Cymru wedi, mewn gwirionedd, darparu cyllid heb risg i HoVDC, a allai dorri rheolau Cymorth Gwladwriaethol? Os nad ydych yn cytuno, pam ddim?

Cafwyd sicrwydd ar gyfer y warant gan Lywodraeth Cymru ar ffurf dyledeb dros holl asedau HOVDC a'i is-gwmnïau, er bod y sicrwydd hwn wedi'i osod y tu ôl i dâl cyntaf o £2 miliwn o blaid benthyciwr cyfleuster ar wahân. Wrth ddyfarnu gwarant y benthyciad hwn, rhoddwyd ystyriaeth i raddfa risg Llywodraeth Cymru a lefel y sicrwydd a oedd ar gael, a phennwyd ffi'r warant yn unol â chyfradd y farchnad ar gyfer darparu cyllid o'r fath.

Wrth warantu benthyciad ar delerau masnachol yn unig, roedd Llywodraeth Cymru yn gweithredu yn unol ag Egwyddor Gweithredwr Economi'r Farchnad (MEOP) yn unol â diffiniad y Comisiwn Ewropeaidd, felly nid oedd yn cyflwyno Cymorth Gwladwriaethol.

Rhoddwyd cyngor i Weinidogion bod hwn yn drafodiad risg uchel, ac fel sy'n wir am bob achos o'r fath, hysbyswyd Gweinidogion bod her Cymorth Gwladwriaethol yn bosibl (fel sy'n wir am bob achos MEOP).

Nid ydym yn cytuno bod HOVDC wedi derbyn cyllid heb risg, ac rydym yn credu bod y cwmni, mewn gwirionedd, wedi ymrwmo i gyfleuster benthyciad heb ei warantu a brisiwyd yn unol â'r farchnad ac a oedd yn ddrutach o lawer na chyfleuster tebyg wedi'i warantu. Mae Cylchffordd Cymru yn brosiect byw o hyd, ac mae posibilrwydd y gall y warant gael ei had-dalu, gyda llog, i Lywodraeth Cymru.

Eglurhad a gwybodaeth ychwanegol

Cwestiwn 18

Yn ystod y sesiwn dystiolaeth, gwnaethoch ddyfynnu ffigur o 20 y cant fel y gyfran nodweddiadol o gyfanswm cost y prosiect a oedd ei angen i gyrraedd y cyllid gofynnol, a arweiniodd atoch yn dod i'r casgliad fod amlygiad Llywodraeth Cymru o 2 y cant ar gyfer cyfanswm cost y prosiect o tua £400 miliwn i gynrychioli gwerth da am arian. Beth yw'r ffynhonnell ar gyfer y ffigur hwn o 20 y cant? A fydddech cystal ag egluro pa fath o brosiect a ddefnyddir i gyfrifo'r ffigur yn ogystal ag egluro pam mae prosiectau o'r fath yn gymaryddion priodol ar gyfer prosiect Cylchffordd Cymru?

Yn ôl profiad Grant Thornton UK LLP, gall costau datblygu fod tua 20% o gytundebau eiddo ac adfywio. Yn anffodus, nid oes modd darparu manylion y prosiectau unigol sy'n sail i'r wybodaeth hon gan nad yw Grant Thornton yn gallu nodi prosiectau unigol oherwydd cyfyngiadau cyfrinachedd cleientiaid.

Yn gyffredinol, nodir bod modd rhannu pris cynllun ar sail costau tir (traean), costau adeiladu (traean) ac elw (traean), gyda'r olaf yn cynnwys costau datblygu. Os yw'r elw rhwng 10-15% (sy'n cyfateb yn fras i Gost Gyfartalog Cyfalaf wedi'i Phwysoli ar gyfer y sector adeiladu) mae'r costau datblygu tua 20%. Er bod Grant Thornton UK LLP wedi nodi'r rheol hon, nododd nad oes ganddi ddiwybodaeth am 20% yr achos penodol, ac na all

fynegi safbwynt diffiniol o'r herwydd. Mae'r bras amcan ond yn gallu nodi ystod debygol y costau yn hytrach na farn bendant.

Cwestiwn 19

Roeddem yn synnu eich bod wedi nodi nad oeddech yn credu bod nifer y cwmnïau neu unigolion cysylltiedig mor uchel â naw, sef y ffigur a ddyfynnwyd yn adroddiad yr Archwilydd Cyffredinol, o ystyried bod yr adroddiad wedi'i wirio gyda HoVDC. Mae'r Pwyllgor yn deall o gais Rhyddid Gwybodaeth a ddatgelwyd gan Swyddfa Archwilio Cymru mai enwau saith cwmni [ni chafodd enwau dau unigolyn arall eu datgelu] oedd:

- Aventa Capital Partners Ltd;
- Stephenson Harwood LLP;
- Insight Infrastructure Ltd;
- Shaun Meadows Marketing Ltd;
- Barton Communications Ltd;
- Kalergo Ltd; ac
- Altitude Aviation Advisory Ltd

Pa un o'r cwmnïau yn y rhestr a ddatgelwyd gan Swyddfa Archwilio Cymru y cred Llywodraeth Cymru nad ydynt yn gysylltiedig a beth y credwch yw'r ffigur cywir ar gyfer cyfanswm nifer y cwmnïau neu unigolion cysylltiedig a oedd yn cael taliadau o dan y Grant Datblygu Eiddo neu'r trefniant gwarant benthyciad?

Mae proses diwydrwydd dyladwy Llywodraeth Cymru yn cynnwys ystyried cyfarwyddwyr a chyfranddalwyr cwmnïau sy'n gwneud cais am gyllid. Mae gwiriadau'n cael eu gwneud i benderfynu a oes gan y cyfarwyddwyr neu'r cyfranddalwyr unrhyw gwmnïau cysylltiedig a/neu ddyfarniadau llys sirol, neu a oes unrhyw gyfarwyddwr wedi'i wahardd rhag bod yn gyfarwyddwr ar unrhyw adeg. Os oes problemau neu bryderon yn codi, mae rhagor o ymchwiliadau i'r meysydd penodol hyn yn cael eu cwblhau. Ni fyddem yn ystyried o reidrwydd bod gan gyfarwyddwyr neu gyfranddalwyr cwmnïau cysylltiedig y gallu i ddylanwadu ar y cwmni sy'n cael ei ariannu yn ôl y drefn arferol ac felly, ni fyddem yn edrych arnynt. Byddem yn canolbwyntio yn hytrach ar yr unigolion sydd â'r gallu uniongyrchol i ddylanwadu

Er bod Swyddfa Archwilio Cymru wedi nodi cwmnïau sydd â chysylltiadau â HOVDC, mae rhai o'r cysylltiadau'n ehangach na'r hyn y byddai Llywodraeth Cymru yn ei ystyried yn gwmni neu'n unigolyn cysylltiedig.

Er bod Llywodraeth Cymru yn derbyn rhestr Swyddfa Archwilio Cymru o gwmnïau sydd â rhai cysylltiadau ehangach â HOVDC, nid oes un o'r cwmnïau a restrir isod yn rhannu cyfarwyddwyr neu gyfranddalwyr â HOVDC. Felly ni fyddent yn gallu cael effaith ar waith HOVDC o ddydd i ddydd:

- Shaun Meadows Marketing Ltd;
- Barton Communications Ltd; a
- Kalergo Ltd.

O'r rhestr o gwmnïau a nodir uchod, mae Llywodraeth Cymru yn ystyried bod y cwmnïau canlynol yn gysylltiedig â HOVDC oherwydd bod ganddynt gyfarwyddwyr neu gyfranddalwyr cyffredin:

- Stephenson Harwood LLP;
- Aventa Capital Partners Ltd;
- Insight Infrastructure Ltd;
- Altitude Aviation Advisory Ltd

Derbyniodd y cwmnïau hyn daliadau o dan y Grantiau Datblygu Eiddo neu'r trefniadau gwarant benthyciad.

Er mwyn sicrhau bod cwmnïau cysylltiedig sy'n darparu gwasanaethau i dderbynnydd grant posibl yn cael eu nodi, mae newidiadau wedi'u gwneud i ffurflen gais a chanllawiau Cyllid Busnes yn unol ag argymhelliad Swyddfa Archwilio Cymru. Mae proses diwydrwydd dyladwy ychwanegol yn mynd rhagddi bellach os oes cwmni cysylltiedig yn cael ei nodi fel cyflenwr ar y ffurflen gais ar gyfer cyllid.

Gall cyfarwyddwyr a chyfranddalwyr newid ar wahanol adegau, ac mewn rhai achosion ni fydd y sefydliad sy'n gwneud cais am gyllid wedi nodi'r holl gyflenwyr wrth gyflwyno'r cais. Felly, ni all Llywodraeth Cymru lwyddo bob amser i liniaru'r risg bosibl o dderbynwyr grantiau'n defnyddio cwmnïau cysylltiedig. Mae'n rhaid i unrhyw gwmni sy'n cael ei ddefnyddio fel cyflenwr ddarparu ei wasanaethau ar sail hyd braich, a dangos gwerth am arian hefyd.

Cwestiwn 20

Yn ystod cyfarfod y Pwyllgor, gwnaethoch ddweud y bu cyfanswm gwariant o £55 miliwn gan bob parti, ac mae gan Lywodraeth Cymru amlygiad o tua £9.2 miliwn. Mae hwn yn ffigur sy'n fwy na'r £30 miliwn a ddyfynnwyd yn adroddiad yr Archwilydd Cyffredinol, lle roedd y ffeithiau wedi'u gwirio gyda HoVDC. Aethoch ati i wirio'r swm o £55 miliwn a darparu'r wybodaeth i'r Pwyllgor. A fyddech cystal â chadarnhau faint o fuddsoddiad sector preifat a wnaed yn y Prosiect sydd bellach mewn perygl yn sgil y penderfyniad gan Lywodraeth Cymru. A fyddech cystal hefyd â darparu ffynhonnell y wybodaeth hon a'r hyn y mae Llywodraeth Cymru wedi'i wneud i wirio ei bod yn gywir?

Roedd y ffigur o £55 miliwn yn deillio o ddogfen gyfrinachol a dderbyniodd Llywodraeth Cymru gan HOVDC ar ôl cyhoeddi adroddiad Swyddfa Archwilio Cymru. Ni ystyriwyd y wybodaeth hon yn rhan o'r diwydrwydd dyladwy ac nid oedd yn rhan o Bapur y Cabinet. Felly, nid yw Llywodraeth Cymru wedi cynnal unrhyw archwiliadau manwl ar y wybodaeth a ddarparwyd gan HOVDC, ond mae'r adolygiad lefel uchel yn awgrymu bod y sector preifat wedi cyfrannu tua £50 miliwn yn y prosiect.

Cwestiwn 21

Gwnaethoch gyfeirio at nifer y busnesau y mae Llywodraeth Cymru yn eu cefnogi a'r cyfraddau methu sy'n gysylltiedig â hwy, gan nodi bod 1,000 o fuddsoddiadau dros bum mlynedd, lle roedd 3.4 y cant wedi mynd o chwith. Byddai'r Pwyllgor yn croesawu gwybodaeth am y ffynhonnell a chywirdeb y ffigurau a ddyfynnwyd. At hynny, byddai'r Pwyllgor yn croesawu eglurhad o'r hyn a olygir gennych mewn perthynas â 'mynd o chwith' - a ydych yn golygu methiant busnes, methu â chyrraedd y canlyniad a fwriadwyd (e.e. swyddi a grëwyd) neu rywbeth arall? A fyddech cystal ag egluro sut yr ydych yn diffinio llwyddiant a methiant.

Ffynhonnell y data hwn yw cofnodion mewnol cynigion cymorth a wnaed o dan gymorth Llywodraeth Cymru ar gyfer Cyllid Busnes¹, yn ystod cyfnod y Pedwerydd Cynulliad (mis Mehefin 2011 hyd at fis Ebrill 2016). Dylid nodi bod y data hwn wedi'i goladu mewn 'dadansoddiad ciplun' o gofnodion hanesyddol ym mis Tachwedd 2016, ac ar y pryd roedd yn cael ei ystyried yn adlewyrchiad teg o gynigion a wnaed yn ystod y Pedwerydd Cynulliad. Gwnaed 1,264 o gynigion yn ystod y cyfnod hwn.

Er mwyn cadarnhau ystyr "mynd o chwith" yng nghyswllt y cynigion hyn, roedd 43 (3.4%) o'r prosiectau wedi methu sicrhau'r holl allbynnau disgwylidig o dan delerau ac amodau penodol eu cynigion cymorth unigol. Felly, roedd y prosiectau hyn yn wrthrych rhyw fath o broses adennill grant gan swyddogion Llywodraeth Cymru, gan arwain at gyhoeddi anfoneb ffurfiol o dan brotocolau rheoli dyledion.

Roedd 32 (2.53%) o'r holl brosiectau a gefnogwyd yn destun ansolfedd busnes, diddymu busnes neu broses o'r busnes yn mynd i ddwylo'r gweinyddwyr. Yn yr achosion hyn, ni allai swyddogion gynorthwyo'r busnes cyn iddo fethu a chyn penodi ymarferydd ansolfedd.

Roedd yr 11 prosiect arall (0.87%) yn destun rhyw fath o weithgaredd adennill, oherwydd methiant y busnes i gyflawni ei ymrwymadau parhaus (i greu/diogelu swyddi a/neu brynu/cadw asedau) o dan delerau ac amodau'r cynnig o gymorth. Ym mhob un o'r achosion hyn, llwyddodd y busnes unigol i barhau i fasnachu, ac aeth swyddogion ati i reoli dyledion er mwyn adennill arian a ryddhawyd i'r busnes ynghynt.

Nodir bod prosiect wedi methu os, ar ôl derbyn taliad yn unol â'i lwyddiannau, mae'r derbynnydd yn methu cynnal yr asedau a'r swyddi sy'n gysylltiedig â'r prosiect am yr amser gofynnol a nodir yn amodau a thelerau'r cynnig. Gall y methiant hwn ddigwydd ar unrhyw adeg yn ystod oes y prosiect.

Pan fydd y taliad terfynol wedi'i wneud, mae'n rhaid i bob prosiect fodloni cyfnod yr "amodau" sy'n berthnasol i bob cynnig unigol. Mae'n rhaid sicrhau bod swyddi ac asedau a gefnogir gan y prosiect yn para gydol y cyfnod hwn.

Cyfnodau'r amodau sy'n berthnasol i gynigion a wnaed o dan Gymorth Busnes yw 3 blynedd (BBaChau) a 5 mlynedd (busnesau nad ydynt yn BBaChau), gan ddechrau ar ddyddiad y taliad cymorth olaf/terfynol.

Bydd prosiect llwyddiannus yn bodloni cyfnodau'r amodau hyn yn llawn.

Cwestiwn 22

Yn ystod y sesiwn dystiolaeth, holodd y Pwyllgor chi ynghylch a oedd y diwydrwydd dyladwy ar gyfer y rhaglen yn drylwyr ac y gorau posibl. Oherwydd y broses barhaus, roeddech yn methu â rhoi ymateb llawn i hyn yn ystod y cyfarfod ond darparwyd nodyn gennych yn rhoi mwy o fanylion am y broses diwydrwydd dyladwy yn dilyn penderfyniad y Cabinet. Byddem yn ddiolchgar pe gallech gynnwys y nodyn hwn fel rhan o'r ymateb i'r llythyr hwn.

Wrth gynllunio'r broses diwydrwydd dyladwy, ystyriodd Llywodraeth Cymru ddatganiad Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith, a'r math o broses y byddai

¹ Mae Cyllid Busnes yn berthnasol i nifer o gynlluniau cyllido a oedd ar gael yn ystod y cyfnod hwn, gan gynnwys Cronfa Twf Economaidd Cymru, Cyllid Busnes Ad-daladwy, Cynllun Cymorth Buddsoddi mewn Twristiaeth, Cronfa Datblygu Digidol, SMART Cymru.

buddsoddwr yn economi'r farchnad yn ei rhoi ar waith yng nghyd-destun natur y prosiect a graddfa'r cymorth ariannol gofynnol.

Rhodddwyd proses diwydrwydd dyladwy gynhwysfawr a chadarn ar waith gan gynghorwyr allanol yn dilyn y cais am gymorth gan HOVDC. Fel rhan o'r diwydrwydd dyladwy, adolygwyd y pryderon masnachol arferol yn ymwneud â chynllun busnes y cwmni, y gost o lunio dadansoddiad o'r farchnad a chontractau cyfreithiol. Hefyd, mae'r tîm diwydrwydd dyladwy wedi adolygu'r effaith economaidd a hawliwyd gan y cwmni, y sefyllfa gyfreithiol yn ymwneud â Chymorth Gwladwriaethol, a'r effaith ar gyllid a chyllidebau Llywodraeth Cymru. Yn ogystal, mae wedi cynnwys adolygiad deallusrwydd corfforaethol o unigolion allweddol (prawf person addas a phriodol). Yn unol ag argymhellion Swyddfa Archwilio Cymru yn ei hadolygiad diweddar o'r cyllid cychwynnol a ddyfarnwyd i'r prosiect, ystyriodd yr arbenigwyr cyllid drafodion cwmnïau cysylltiedig yn y gorffennol ac wrth symud ymlaen.

I grynhoi, comisiynwyd diwydrwydd dyladwy allanol yn y meysydd canlynol:

- Diwydrwydd Dyladwy Ariannol
- Aseiad o Berson Addas a Phriodol²
- Dadansoddiad o'r Farchnad
- Dadansoddiad o'r Effaith Economaidd
- Cynghorwyr Syrffwyr Meintiau
- Cynghorwyr Cyfreithiol ym maes Contractau
- Cynghorwyr Cyfreithiol ym maes Cymorth Gwladwriaethol

Darparwyd diwydrwydd dyladwy mewnol ychwanegol ym maes cyfraith gyhoeddus.

Mae Ysgrifennydd y Cabinet dros yr Economi a'r Seilwaith wedi datgan y bydd y wybodaeth briodol am ddiwydrwydd dyladwy y mae modd ei rhyddhau yn cael ei chyhoeddi. Mae swyddogion yn ystyried faint o'r cyngor hwn y gellir ei ryddhau oherwydd ymrwymadau cyfrinachedd, y Ddeddf Diogelu Data ac ystyriaethau cyfreithiol a masnachol eraill. Bydd Llywodraeth Cymru yn cyhoeddi'r wybodaeth berthnasol maes o law.

Cwestiwn 23

Yn natganiad Ysgrifennydd y Cabinet yn y cyfarfod llawn ar 27 Mehefin, dywedodd wrth Aelodau'r Cynulliad: “yn dilyn trafodaethau â'r Swyddfa Ystadegau Gwladol a Thrysorlys Ei Mawrhydi yn ystod y broses diwydrwydd dyladwy, asesir bod risg sylweddol iawn y byddai dyled lawn £373 miliwn prosiect cyfan Cylchdaith Cymru yn cael ei dosbarthu fel gwariant cyfalaf Llywodraeth Cymru”. Hoffai'r Pwyllgor eglurhad o ran pryd y cynhaliwyd y trafodaethau hyn, a phryd yn y broses diwydrwydd dyladwy y nodwyd y broblem cyfrifyddu hon am y tro cyntaf.

Bu swyddogion Llywodraeth Cymru yn trafod y canllawiau dosbarthu â'r Swyddfa Ystadegau Gwladol ers haf 2015. Roedd y trafodaethau hyn yn gymorth i swyddogion Llywodraeth Cymru asesu risg prosiect Cylchffordd Cymru. Mae'r Swyddfa Ystadegau Gwladol yn darparu cyngor dosbarthu ffurfiol ar gontractau terfynol yn hytrach nag ar ddatblygiadau posibl. Fodd bynnag, mae'n cydweithio â swyddogion Llywodraeth Cymru i sicrhau bod penderfyniadau polisi yn seiliedig ar wybodaeth.

² Wrth wneud y penodiad mewn perthynas â phrawf person addas a phriodol, roedd swyddogion yn ymwybodol o'r angen i gynnwys adolygiad o gwmnïau cysylltiedig, a pahartneriaid Aventa Capital yn benodol. Ystyriwyd bod yr agwedd hon ar y gwaith yn ofyniad masnachol arferol, ond ei bod hefyd yn cydnabod y materion a godwyd gan yr Archwilydd Cyffredinol yn ei adroddiad ym mis Ebrill yn ymwneud â'r cyllid cychwynnol ar gyfer y prosiect.

Bu swyddogion yn trafod agweddau ar gynnig Cylchffordd Cymru â thîm dosbarthu Thrysorlys Ei Mawrhydi ers mis Mawrth 2016 ac mor ddiweddar â mis Mehefin 2017. Cwblhawyd yr asesiad o ddsbarthiad y risg yn ymwneud â chynnig Cylchffordd Cymru yn benodol gan swyddogion Llywodraeth Cymru ar sail cyngor gan Drysorlys Ei Mawrhydi, ac fe gafodd ei lywio gan ganfyddiadau adroddiadau diwydrwydd dyladwy allanol ym mis Mehefin 2017.

Cwestiwn 24

Mae'r Pwyllgor yn nodi'r cyfeiriad at 'grŵp llywodraethu mewnol' o fewn Llywodraeth Cymru i ddarparu her arbenigol. Hoffai'r Pwyllgor gael rhagor o wybodaeth am y Grŵp hwn, pwy sy'n rhan o'r Grŵp; pa her y maent yn ei gynnig o ran Cylchffordd Cymru, a sut y gwnaeth swyddogion ymateb?

Sefydlwyd y Grŵp Sicrwydd Mewnol ym mis Mawrth 2017 i ddarparu lefel ychwanegol o graffu ar y broses o wneud penderfyniadau ynglŷn â phrosiect Cylchffordd Cymru. Cyfarfu'r grŵp dair gwaith i drafod y cynnig cyn i bapur y Cabinet gael ei gyflwyno ym mis Mehefin 2017. Rôl y grŵp oedd cynorthwyo swyddogion yr Economi, Sgiliau a Chyfoeth Naturiol i gyflwyno adroddiad teg a chytbwys i'r Cabinet a oedd yn cynnwys yr holl feysydd pryder allweddol.

Roedd y grŵp yn cynnwys unigolion allweddol ledled Llywodraeth Cymru gan gynnwys y Cyfarwyddwr Cyllid, Cyfarwyddwr Cymunedau a Threchu Tlodi, y Prif Economegydd a Chyfarwyddwr yr Adran Gwasanaethau Cyfreithiol. Hefyd, roedd y grŵp yn cynnwys Cyfarwyddwyr ac unigolion â sgiliau allweddol (e.e. llywodraethu, Cyllid, cyfathrebu) yr Economi, Sgiliau a Chyfoeth Naturiol.

Llwyddodd y grŵp i ddarparu lefel sylweddol o her i'r broses ddiwydrwydd dyladwy gan sicrhau nad oedd ystyriaethau allweddol wedi'u hesgeuluso neu nad oedd swyddogion yr Economi, Sgiliau a Chyfoeth Naturiol wedi gwneud unrhyw ragdybiaethau. Cafodd her y Grŵp ei chrosawu gan swyddogion yr Economi, Sgiliau a Chyfoeth Naturiol.

Rhannwyd yr adroddiadau diwydrwydd dyladwy â'r grŵp ynghyd ag adroddiadau arfarnu ar ganfyddiadau'r arbenigwyr allanol. Cofnodwyd y materion perthnasol a godwyd gan y Grŵp Sicrwydd ym mhapur y Cabinet a oedd yn sylfaen i benderfyniad y Llywodraeth.

Ymatebion Llywodraeth Cymru i Adroddiad yr Archwilydd Cyffredinol

Cwestiwn 25

Fel y trafodwyd yn ystod y sesiwn dystiolaeth, roedd y Pwyllgor yn bryderus ynghylch y datganiad ysgrifenedig gan y Gweinidogion a oedd yn mynegi *syndod a siom* Llywodraeth Cymru o ran penderfyniad yr Archwilydd Cyffredinol i gyhoeddi ei adroddiad yn ystod y cyfnod cyn yr etholiad; a nododd nad oedd wedi cael digon o amser i ystyried ac ymateb i'r adroddiad cyn ei gyhoeddi. Roedd ymateb dilynol i gwestiwn ysgrifenedig y Cynulliad gan Adam Price yn egluro bod swyddogion yn gwybod am y cyhoeddiad a fwriadwyd o'r adroddiad ar 17 Mawrth 2017. O ystyried bod swyddogion yn gwybod dros fis cyn i'r Gweinidog gael eu hysbysu'n ffurfiol, byddem yn croesawu eglurhad ynghylch a oedd y Gweinidog wedi cael gwybod yn anffurfiol am fwriad yr Archwilydd Cyffredinol i gyhoeddi cyn cael gwybod yn ffurfiol ar 24 Ebrill?

Mae swyddogion wedi methu nodi unrhyw dystiolaeth bod y Gweinidog wedi cael gwybod yn anffurfiol am fwriad yr Archwilydd Cyffredinol i gyhoeddi ei adroddiad cyn cael gwybod yn ffurfiol ar 24 Ebrill.

Question 26

Roedd y Pwyllgor yn arbennig o bryderus ar nifer o achlysuron drwy gydol y sesiwn dystiolaeth eich bod wedi honni bod gwallau ffeithiol yn adroddiad yr Archwilydd Cyffredinol. Fel y mae'r Pwyllgor yn ei ddeall, mae adroddiadau'r Archwilydd Cyffredinol yn destun proses glirio sylweddol a thrwyadl er mwyn bod mor deg a chywir â phosibl, ac rydym yn dibynnu ar yr adroddiadau hyn i wneud gwaith craffu pellach o bynciau sy'n aml yn sensitif ac rydym yn ystyried yr awgrymiadau o wallau yn yr adroddiad yn ddifrifol iawn. Felly, ar wahân i'r gwall sy'n nodi bod y prawf Effeithlonrwydd Economaidd yn brawf y DU ac nid prawf Cymru, a fyddech cystal â rhoi manylion, gyda thystiolaeth ategol, am y gwallau eraill yn yr adroddiad?

Mae fy sylwadau ynglŷn â chywirdeb adroddiad yr Archwilydd Cyffredinol yn ymwneud â'n pryderon y gallai rhai o'r manylion fel y'u cyflwynir yn adroddiad Swyddfa Archwilio Cymru, heb gynnwys gwybodaeth am y cyd-destun cysylltiedig a gwybodaeth ychwanegol, arwain at gamddehongli'r manylion neu gasgliadau anghywir gan ddarllenwyr nad oes ganddynt wybodaeth am y materion dan sylw.

Mewn nifer o feysydd, roeddem wedi gofyn i'r Archwilydd Cyffredinol ddarparu gwybodaeth ychwanegol i greu darlun llawnach, gan alluogi eraill i ddod i gasgliad teg wrth graffu ar yr adroddiad. Byddwn yn hapus i roi copi o'm llythyr at yr Archwilydd Cyffredinol a oedd yn trafod y materion hyn i'r Pwyllgor.

Cwestiwn 27

Yn olaf, yn ystod y sesiwn dystiolaeth gwnaethoch gyfeirio at fod wedi dysgu gwersi o ganlyniad i gyllid cychwynnol Cylchffordd Cymru, a fydd yn caniatáu inni wneud pethau'n well y tro nesaf. A fyddech cystal â nodi'r gwersi a ddysgwyd a pha gamau y mae Llywodraeth Cymru yn eu cymryd?

Mae Llywodraeth Cymru wedi ymrwmo i wneud gwelliannau parhaus ac mae'n awyddus bob amser i wella ei phrosesau. Er enghraifft, ym mis Mehefin 2014 fel rhan o'n gwelliannau i'r broses gymeradwyo ar gyfer Benthyciadau Masnachol, ystyriwyd Grantiau Datblygu Eiddo a gefnogir gan y sector yn y broses Cymeradwyo Ariannol.

Cyflwynodd adroddiad Swyddfa Archwilio Cymru ar gyllido Cylchffordd Cymru nifer o argymhellion, ac mae Llywodraeth Cymru wedi dysgu gwersi yn sgil yr argymhellion hyn:

- Erbyn hyn, mae'n rhaid i ymgeiswyr ddatgelu yn y ffurflen gais Cyllid Busnes a fydd unrhyw drafodion yn ymwneud â Chyllid Busnes yn cael eu cwblhau drwy gwmnïau cysylltiedig. Mae'n rhaid i'r ymgeisydd ddarparu manylion y trafodion hyn. Bydd y wybodaeth a ddarperir gan yr ymgeisydd yn cael ei defnyddio fel rhan o weithdrefnau diwydrwydd dyladwy Llywodraeth Cymru;
- Fel rhan o'r broses argymhellion ar gyfer achos Bwrdd Cyngorol Datblygu Diwydiannol Cymru, mae'n rhaid i Bennaeth y Sector sicrhau bod y Bwrdd yn cael gwybod am yr holl gymorth arall gan Lywodraeth Cymru ar gyfer prosiect y gofynnir iddo ei ystyried, waeth a yw'r gymorth wedi'i gymeradwyo eto ai peidio. Mae ein canllawiau mewnol wedi'u cryfhau er mwyn adlewyrchu'r gofyniad hwn;
- Pwysigrwydd cadw cofnod ysgrifenedig o ddadansoddiad prosiect sy'n cynnwys tystiolaeth allweddol, dadansoddi a lleihau risg, a sail resymegol unrhyw argymhellion i Weinidogion.
- Pwysigrwydd neilltuo amser ar gyfer cymeradwyo gyda swyddogion priodol, sy'n meddu ar wybodaeth fanwl a chywir i'r gwersi a ddysgwyd yn eiddo amserlenni ac ati.

Mae Llywodraeth Cymru wedi ystyried gwarant mewn nifer fach iawn o achlysuron yn unig, ac ym mhob achos mae'r amgylchiadau a'r manylion wedi bod yn wahanol iawn. Er bod gwarantau'n un math o MEOP yn unig, mae swyddogion wedi ennill profiad sylweddol yn y maes hwn, gan ddatblygu methodoleg sy'n llawer mwy effeithiol na'r hyn a oedd ar waith adeg gwarant Cylchfordd Cymru. Y wers allweddol sydd wedi'i dysgu o brofiad Cylchfordd Cymru yw ein bod bellach yn cael tystiolaeth o MEOP gan gynghorwyr allanol er mwyn rhoi sicrwydd ynglŷn â masnachadwyedd telerau'r cytundeb.

ATODIAD 2

Ymateb i Gwestiynau a godwyd gan y Clerc ym mis Mehefin 2017

1. Cyfanswm y gwariant a ysgwyddwyd a'r cyllid sydd wedi'i ddarparu gan Lywodraeth Cymru hyd yn hyn

Mae cyfanswm y gwariant a ysgwyddwyd yn ôl Cwmni Datblygu Blaenau'r Cymoedd (HOVDC), hyd at ddechrau mis Mehefin, wedi'i nodi yn yr ymateb i Gwestiwn 20 yn Atodiad 1.

Mae cyllid Llywodraeth Cymru ar gyfer prosiectau Cylchffordd Cymru fel a ganlyn:

- £2 filiwn: Cronfa Grant Datblygu Eiddo
- £7.3 miliwn: Ad-dalu benthyciad banc HOVDC o dan Warant Llywodraeth Cymru.

2. Canllawiau mewnol y mae swyddogion yn eu dilyn wrth asesu ceisiadau am grantiau;

Mae Canolfan Ragoriaeth Grantiau Llywodraeth Cymru wedi datblygu safonau gofynnol ar gyfer asesu ceisiadau am grantiau. Mae'r safonau gofynnol hyn yn darparu arferion gorau ym meysydd datblygu, cyflwyno a monitro cynlluniau grant ledled Llywodraeth Cymru. Mae swyddogion yn defnyddio'r safonau hyn i ddatblygu cyfarwyddiadau desg cymesur ar gyfer cynlluniau grant unigol.

Mae'r safonau gofynnol ar gyfer cynlluniau grant seiliedig ar geisiadau ar gael ar fewnwyd Llywodraeth Cymru: <http://gov.wales/funding/grants/contact-us/?skip=1&lang=cy>

Byddai'r safonau gofynnol hyn wedi cael eu harfer yn achos y cais diweddar gan Gylchffordd Cymru.

3. Darparu rhagor o fanylion, yn dilyn penderfyniad y Cabinet ar gyllido prosiect Cylchffordd Cymru, yn ymwneud â'r broses ddiwydrwydd dyladwy a roddwyd ar waith.

Mae manylion y broses diwydrwydd dyladwy a roddwyd ar waith wedi'u darparu yn yr ymateb i Gwestiwn 22 yn Atodiad 1.

4. Cynnal ymchwiliad i ganfod pa unigolyn yn Llywodraeth Cymru a wnaeth y sylw mewn datganiad i'r wasg am 'grandstanding', a hysbysu'r Cadeirydd.

Rwyf wedi darllen y datganiadau i'r wasg a gyhoeddwyd gan Lywodraeth Cymru ar y mater hwn ac ni welais sylw o'r fath yn un ohonyn nhw.

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon