



Explanatory Memorandum to the Finance Committee Regarding the Variation of the Estimate of the Wales Audit Office for the Year Ending 31 March 2024

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Submitted to the Finance Committee of the Senedd for consideration under Standing Order 20.35.

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Explanatory memorandum

Introduction

- 1 For each financial year, the Wales Audit Office must submit an annual estimate of its income and expenditure to the Finance Committee of the Senedd. The responsible committee must examine that Estimate and lay it before the Senedd after making any amendments that it considers appropriate.
- 2 The Estimate for the Wales Audit Office for 2023-24 was included in the Welsh Government's Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 7 March 2023 following scrutiny by the Finance Committee.
- 3 The budget motion authorised the Wales Audit Office to retain £16.133 million of accruing resources, generated through fees charged to audited bodies, and supplied a further £8.452 million of other resources in support of our expenditure plans for the year. Together, this £24.585 million is used to fund the costs of the Wales Audit Office in delivering its duties under the Public Audit (Wales) Act 2013.
- 4 The Wales Audit Office now seeks to amend the approved Estimate for the year ending 31 March 2024.

Reason for change

Changes to our office accommodation

- 5 On 6 July 2023, the Senedd Finance Committee considered a [Supplementary Estimate for 2023-24](#) which set out our proposals to relocate our North Wales office from Abergele to the Welsh Government's North Wales office at Llandudno Junction.
- 6 As set out in our explanatory memorandum, we expect this move to deliver annual savings in the region of £30,000 but, in order to meet IFRS16 accounting requirements, an increase to resource budgets of £94,000 (non-cash) is required in 2023-24. This is made up of:
 - Lease liability (£70,000)
 - Structural dilapidations provision (£24,000)
- 7 Finance Committee on 6 July supported this proposal – the impact of which is reflected in this Supplementary Estimate.

Cost of living payment

- 8 In June 2023, in light of the below-inflation pay increases awarded to their staff in 2022-23, the Welsh Government agreed with their trade union partners that a £1,500 one-off payment would be made to their staff in July. This payment applied to all staff below Senior Civil Service who were in post prior to 31 March 2023 and remained in post at 30 June 2023. The payment is non-consolidated, non-

pensionable and not pro-rated for part-time employees. It is also separate to negotiations for the 2023-24 pay award.

- 9 The Welsh Government has subsequently set the expectation that 'bodies that analogue to or mirror the Welsh Government's pay awards and those involved in the recent pay parity work will also make this additional payment, in the interests of fairness and unity across the devolved Welsh public sector'.
- 10 Whilst this expectation does not apply directly to the Wales Audit Office, our own trade union partners are keen to see this replicated, particularly as the 3% pay award for our staff in 2022-23 was significantly less than inflation for the year of around 10%.
- 11 Both trade unions at the Wales Audit Office, Prospect and PCS, are in dispute with us over the 3% pay increase awarded to staff for 2022-23. The unions have indicated that settlement of the dispute in respect of 2022-23 is dependent on our matching the payment made to Welsh Government staff.
- 12 The cost to Audit Wales of making this payment based on the same parameters as those set by the Welsh Government is estimated at £442,000 in 2023-24. As no provision for this payment was made in our Estimate or Fee Scheme for 2023-24, we are seeking a Supplementary Estimate to enable us to make the payment this year.
- 13 Audit Wales will seek to fund some of the cost of the payment from within our existing budget. Our ability to do so depends on expenditure and income delivery, which will only become clear as the year progresses. Given that our budget already requires us to deliver some £500,000 of savings in addition to any derived by staff turnover, we do not believe it is possible identify further savings sufficient to fund the payment to staff without this Supplementary Estimate.
- 14 We are aware that other bodies are funding this payment through freezing of vacancies. Unfortunately, this is not an option for the Wales Audit Office, given the direct link between staffing and delivery of fee income – if we do not recruit audit staff, the associated reduction in income would be greater than any savings on staff costs.

Adjustments to resource budgets

- 15 For the North Wales office move, the Wales Audit Office is seeking a non-cash adjustment in respect of IFRS16 of £94,000 in 2023-24 – this is for accounting purposes only.
- 16 To make the £1,500 cost of living payment to staff, the Wales Audit Office is seeking additional budget (resource and cash) of £442,000 in 2023-24.
- 17 The associated budget changes for 2023-24 are set out in **Exhibit 1**.

Exhibit 1: budget changes 2023-24

	Estimate 2023-24 £'000	Supplementary Estimate 2023-24 £'000	Revised Estimate 2023-24 £'000
Revenue resource	8,142	442	8,584
Capital resource	310	–	310
Capital resource (IFRS16)		94	94
Accruing resources	16,133		16,133
Total expenditure	24,585	536	25,121
Net cash requirement ¹	8,642	442	9,084

¹ See Table 2.

Appendix 1

Summary of the 2023-24 budget requirements for inclusion in the Welsh Ministers' Supplementary Budget Motion under section 126 of the Government of Wales Act 2006

Under section 126 of the Government of Wales Act 2006 (the 2006 Act), Ministers may move a Supplementary Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the Consolidated Fund for certain relevant persons, including the Wales Audit Office.

In respect of the services and purposes of the Wales Audit Office in the year ending 31 March 2024, the Budget Motion will authorise:

- the amount of resources to be used by the Wales Audit Office;
- the amount of resources accruing to the Wales Audit Office which may be retained (rather than paid into the Consolidated Fund); and
- the amount which may be paid out of the Consolidated Fund to the Wales Audit Office.

These requirements, which due to the variability of income streams can only be estimates, are summarised in **Tables 1 and 2** below.

Table 1: summary of the estimated 2023-24 budget requirements

	£'000
Resources other than accruing resources for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office, the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office:	
• Revenue	8,584
• Capital	404
Accruing resources from fees and charges for audit and related services; other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences, and provision of administrative and professional and technical services for use by the Wales Audit Office on related services and the administration of the Wales Audit Office.	16,133
Net cash requirement from the Consolidated Fund to meet the net amounts falling due for payment in the year by the Wales Audit Office.	9,084

Table 2: reconciliation of resource requirement to cash drawing requirement from the WCF

	Estimate 2023-24 £'000	Supplementary Estimate 2023-24 £'000	Net change £'000
Net request for resources – revenue and capital	8,452	8,988	536
Non-cash adjustment – depreciation and interest charges	(640)	(640)	–
Lease rental payments	280	280	–
Non-cash adjustment – movements in working capital	550	550	–
Non-cash adjustment IFRS16	–	(94)	(94)
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office	8,642	9,084	442



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.