



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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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 In March 2023, Audit Wales relocated our Cardiff from Cathedral Road office to significantly smaller premises in Cardiff's Capital Quarter – delivering annual savings of around £220,000 along with significant improvements in environmental performance, whilst providing a workplace for our staff that better meets our new hybrid working arrangements.
- 6 As part of our on-going review of our workplace requirements we have subsequently reviewed options to move our North Wales office in line with our strategic aims to consider:
 - environmental improvements - working toward our net zero ambitions;
 - meeting business needs (enabling audit quality of delivery, enabling staff to be productive, creative, and efficient, and support wellbeing); and
 - securing cost savings
- 7 In June 2023, the Wales Audit Office Board approved a business case to relocate the current North Wales office from Abergele to a shared space within Sarn Mynach, Llandudno Junction -Welsh Government's North Wales office. A ten-year lease (with a 5-year break) from September 2023 is proposed.
- 8 Several alternative office locations were considered but Sarn Mynach scored highest for quality of the premises and the potential benefits in terms of achieving environmental improvements as we work towards our net zero aims, cost savings and meeting our business needs. The building has:

- good access to public transport and active travel options, with green space supporting biodiversity, and the building set to move to solar power in 2024.
 - a very good range of meeting facilities and collaboration spaces, which would support hybrid working and provide flexibility to support future needs, with a variety of spaces to deliver quality audit work.
 - a range of amenities including canteens and flexible spaces to promote wellbeing of staff.
- 9 Annual savings of around £30,000 are expected from this move. There are limited up-front costs associated with this move (which can be met from within existing budgets) but there will be non-cash adjustments associated with IFRS16 for the new lease arrangements.
- 10 Savings identified for 2023-24 will go towards the efficiency savings target of £500,000 identified within our approved Estimate.
- 11 Estimated annual savings, as compared to remaining in the Abergele office, are set out below.

Exhibit 1: estimated savings

| | Abergele | Sarn Mynach | Savings |
|---------------|----------|----------------|---------|
| Lease costs | 31 | 12 | 19 |
| Running costs | 34 | 23 | 11 |
| Net | 65 | 35 | 30 |

Adjustments to resource budgets

- 12 As explained above, 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. The supplementary estimate is made up of
- Lease cost depreciation under IFRS16 (£70,000)
 - Structural dilapidations depreciation (£24,000)
- 13 The associated budget changes for 2023-24 are set out in **Exhibit 2**.

Exhibit 2: budget changes 2023-24

| | Estimate 2023-24 £'000 | Supplementary Estimate 2023-24 £'000 | Revised Estimate 2023-24 £'000 |
|------------------|---------------------------|--|--------------------------------------|
| Revenue resource | 8,142 | - | 8,142 |

| | Estimate 2023-24 £'000 | Supplementary Estimate 2023-24 £'000 | Revised Estimate 2023-24 £'000 |
|------------------------------|---------------------------|--|--------------------------------------|
| Capital resource | 310 | - | 310 |
| Capital resource (IFRS16) | | 94 | 94 |
| Accruing resources | 16,133 | | 16,133 |
| Total expenditure | 24,585 | 94 | 24,679 |
| Net cash requirement | 8,642 | - | 8,642 |

Appendix 1

Summary of the 2022-23 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 | 8,142 |
| • 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. | 8,642 |

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 | 8,546 | 94 |
| 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 | 8,642 | - |



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.