

Agenda Supplement – Finance Committee

Meeting Venue:

For further information contact:

Video Conference via Zoom

Owain Roberts

Meeting date: 20 October 2022

Committee Clerk

Meeting time: 09.30

0300 200 6388

SeneddFinance@senedd.wales

Remote – Supplement pack

Please note the documents below are in addition to those published in the main Agenda and Reports pack for this Meeting

4 Public Services Ombudsman for Wales (PSOW) – Scrutiny of Annual Report and Accounts 2021–22, and Estimate 2023–24:

Consideration of revised estimate

(10.15–10.30)

(Pages 1 – 21)

Supporting documents:

FIN(6)–21–22 P3 – Revised Estimate 2023–24



Public Services Ombudsman for Wales

Estimate 2023/24

1. Introduction

This Estimate submission for 2023/24 has been prepared for consideration by the Senedd Finance Committee. It has been developed in the context of our draft Strategic Plan 2023-26. Since the Estimate is central to the delivery of the Strategic Plan, that Plan has also been provided to the Committee.

This submission follows our appearance at the Senedd Finance Committee on 12 October 2022 and has been revised following the Committee's decision that it was unable to support our Estimate as originally submitted. This submission substantially reduces the amount we are seeking, in line with the Committee's request. The amount sought originally took account of the growing caseload and the substantial pressures on staff, and we were seeking investment to support our staff and the service they are able to provide, as well as investment to support our Strategic Plan priorities.

We recognise and understand the financial pressures facing public services in Wales, but we have endeavoured to reflect in this revised submission, where appropriate, the consequences of reducing our Estimate.

2. Executive Summary

We have prepared our Estimate to reflect the Strategic Aims set out in our draft Strategic Plan. In summary, the Resource and Cash requirements are **£5,750k** and **£5,641k** respectively. This is an overall cash increase of £316k. The increase is made up as follows:

	£000
April 2022 pay award related pressures*	180
April 2023 pay award, cost and workload pressures	326
Less National Insurance reduction	(38)
Less efficiencies	(199)
Plus investment in strategic priorities	47
Total	316

* Cost of April 2022 pay award **offered** is 5% compared with 1.5% in budget

The office faces substantial cost pressures, primarily from cost of living pay awards in April 2022 and April 2023.

£180k is required to meet the ongoing additional pay costs of the April 2022 local government pay award, which our staff receive under their contracts of employment. We are not party to these pay award negotiations, and the pay award is therefore outside our control. A further £326k is sought to meet the estimated April 2023 pay award together with cost and workload pressures in 2023/24. We have identified a number of efficiencies

totalling £199k to partly offset these costs. The recently announced reduction in National Insurance Contributions (-£38k) further reduces the amount sought.

The original submission included investment of £150k to deliver service improvement including a new website and starting work on a new case management system. These investments were central to the draft Strategic Plan, helping us to manage increased caseloads, increase digitisation and improve access to our services. There are also workload pressures arising from continued increases in complaints. In our original submission we sought investment of £127k which reflected 2 additional members of staff needed as a result of ongoing increases in caseload.

In the light of the Committee's request that we reduce our Estimate and resubmit it, we will not be able to proceed in this way but will look to invest £47k in service improvements and caseload management. We will also revise our Strategic Plan accordingly.

This Estimate submission provides a brief update on the current year, sets out casework pressures and cost pressures, provides information on efficiencies and strategic priorities, and provides a breakdown of the Estimate.

The proposed budget ambit is shown in Appendix A.

3. 2022/23 Update

Michelle Morris took up the duties of Public Services Ombudsman for Wales on 1 April 2022. Our draft new Strategic Plan for 2023 to 2026 has been prepared and published for consultation. The Plan sets out key priorities and ambitions for the years ahead and underpinned our original 2023/24 budget submission. Following the Committee's decision of 12 October, the Strategic Plan will be revised to reflect the consequences of reduced levels of investment in staff and in improvement. It is intended that the Plan is finalised and approved in early 2023.

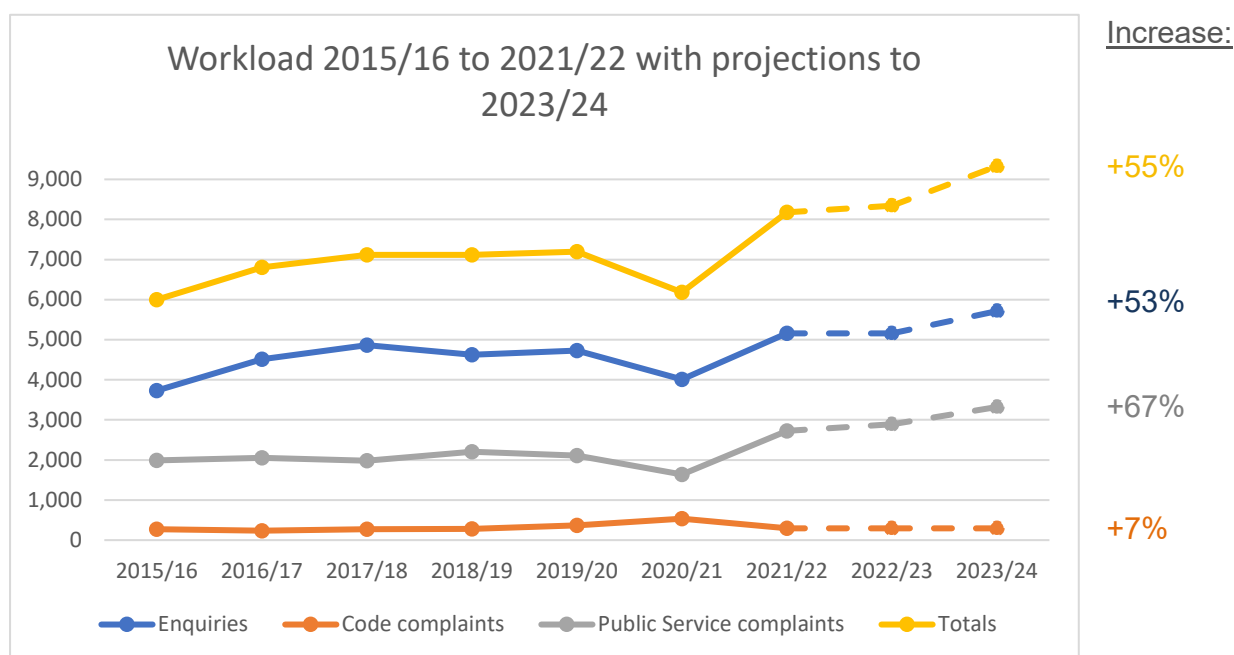
In the current year, there are two key financial issues facing us. The first issue is that there is a Code of Conduct case where leave to appeal has been sought. The outcome is uncertain, and the hearing has been delayed. The amount of any potential liability is unknown.

The second is the April 2022 local government pay award, which applies to our staff under their contracts. The Committee will recall that the Estimate submission for the current year allowed for a pay award of 1.5%, but indicated that if the award was higher, it was likely that a supplementary budget would be required. The current position is that an offer, that would add 5% to our pay costs, has been made. The trade unions involved have not yet determined whether to accept this offer so the final pay award and the actual cost may be higher.

Our budget includes no contingency, and we hold no reserves, but we are working to contain these costs within our 2022/23 budgets as far as possible. Nonetheless, we may have to seek additional funds through a supplementary budget submission for 2022/23.

4. Casework Pressures

The Explanatory Memorandum for the Public Services Ombudsman (Wales) Act 2019 anticipated annual increases in complaints of between 5% and 12%. Whilst the annual increases have been towards the lower end of this range, they nonetheless amount to an overall increase of 55% in **total casework** for the period as a whole (2015/16 to 2023/24). This includes projected increases in the current year and 2023/24. In that time, the office has benefited from new legislation and received welcome resources to undertake the additional duties. However, the number of casework staff has increased by only 13%.



Workload 2015/16 to 2021/22 with projections to 2023/24

Year	Enquiries received	Code complaints received	Public Service complaints received	Totals
2015/16	3,731	276	1,992	5,999
2016/17	4,512	236	2,056	6,804
2017/18	4,861	270	1,983	7,114
2018/19	4,627	282	2,207	7,116
2019/20	4,726	365	2,109	7,200
2020/21	4,006	535	1,638	6,179
2021/22	5,158	294	2,726	8,178
2022/23 (projected)	5,158	294	2,890	8,342
2023/24 (projected)	5,713	294	3,321	9,328

Last year (2021/22) we received the highest number of **public service complaints** we have ever had. Whilst there was some reduction in complaints in 2020/21 as a result of the pandemic, complaints have now increased by much more than they fell. This reflects pressures on public services, particularly health services, and public dissatisfaction with those services.

In the current year (April to September 2022) we have seen further increases in public service complaints. The cumulative effect of ongoing annual increases is substantial. We seek to provide timely, empathetic and appropriate outcomes to these complaints. However, these casework pressures reflect the very real concerns of residents of Wales and increasing caseloads risk delaying resolution and prolonging distress. Whilst this paper includes numbers and percentages, each complaint brings with it a real human impact for complainants.

There is also a significant impact on our staff. Public service complaints account for the majority of staff time, and even a small **percentage** increase results in a significant **number** of additional complaints. The projected 67% increase in public service complaints since 2015/16 is therefore particularly challenging.

The increases in casework since 2015/16 have been largely managed through efficiencies: 67% more public service complaints with only 13% more staff. The scale of these efficiencies is significant. However, continuing caseload pressures cannot simply be absorbed. Our staff survey found that only 58% of staff considered that workload pressure was reasonable (down from 76% in the last survey in 2020) and only 61% of staff felt there were sufficient resources to meet work demands (down significantly from 90% in the last survey). It is clear that workload pressures are already having a significant effect on staff, and the ongoing increases in caseload are of significant concern.

Looking forward, there are two factors that are likely to result in further increases in caseload:

- We have significant concerns about the impact on our workload of the National Nosocomial Covid-19 [Programme](#) to investigate the large number of hospital-acquired Covid cases. Where those affected are dissatisfied with consideration of their cases by health boards, they are likely to refer cases to us. We are anticipating 800 enquiries that will turn into 400 complaints over the next 2 years.
- Our new Strategic Plan will also seek to ensure that our services are available to everyone in Wales, particularly to those groups currently under-represented in our service users. We are hopeful that this will result in more enquiries and complaints from these groups from 2023/24 onwards.

5. Cost pressures

Almost all our budget (91.5%) is taken up by fixed or semi-fixed costs – premises costs and IT costs are largely fixed, and staff costs cannot be varied in the short term, other than through redundancies (which would involve additional one-off costs).

Staff costs

Nearly 80% of our costs are staff costs, so our biggest cost pressures arise from pay awards and employer pension and National Insurance contributions. These are not costs that we can directly control. Under our employment contracts we are contractually committed to paying staff in accordance with pay awards agreed for local government staff in England, Wales and Northern Ireland by the local government National Employers organisation. The initial 2022 employers' offer, which would apply from the April 2022, offered a flat pay award of £1,925. If CPI continues at a high rate, the April 2022 pay award finally agreed may be higher, but the current offer would mean an increase of between 9.4% and 1.8% for PSOW staff. The average pay award across the whole organisation for the current year would be 5%, significantly more than we allowed for (1.5%).

We do not link our estimates to CPI, but CPI influences pay negotiations. Recent reports suggest that CPI inflation is expected to reach 11-14% in the fourth quarter of 2022 and that it will remain above 7% in the following quarters.

Our Estimate submission for next year includes provision for implementation of the offered April **2022** local government pay award, adding 5% to the pay bill. We also need to allow for the April **2023** pay award. Assuming that pay awards continue to be below inflation, we have included provision for a 3% pay award from April 2023. However, if local government pay awards are higher than we have provided for, we will look to submit a supplementary budget to cover the additional cost.

Professional advice

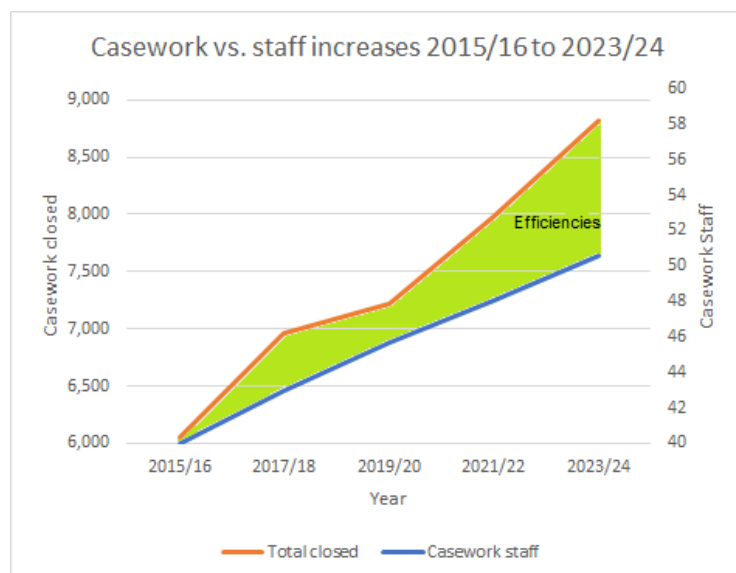
We pay our clinical advisers an hourly rate, which has not increased for over 5 years. From July 2022, the hourly rate we pay is increasing by 10%. This is necessary to keep our rates in line with those paid, often to the same advisers, by other ombudsman organisations in the UK. We are also increasing our expected professional advice costs by £22k as a result of the continued new complaints we are anticipating.

Price inflation

Supplier contracts, including IT, typically include annual CPI indexation to reflect inflation. Whilst we will continue to seek best value prices from suppliers, cost pressures make price increases likely. We are also experiencing substantial increases in energy costs.

6. Efficiencies

Our enquiries and complaints caseload has increased substantially since 2015/16 as set out above. There has not been a commensurate increase in staff numbers dealing with complaints and enquiries. This demonstrates our commitment to achieving greater efficiency and our track record of doing so. We have successfully worked to increase efficiency and manage this growing caseload.



This diagram shows **closed** caseload growth and casework staff growth between the years 2015/16 and 2023/24 (projected).

This shows the growing gap between casework staff and the casework we are dealing with, and the efficiency (cost avoidance) savings we have made as a result.

PSOW has looked to fund most pay and inflation pressures over the past 2 years as a result of process improvements and other internal efficiency savings such as:

- Staff efficiencies through reorganisation and staff turnover
- Making changes to working practices such as working from home
- Bringing services such as translation, design and HR in-house
- Negotiating savings on our business rates ourselves rather than using a third-party supplier
- IT efficiencies following investment in hardware
- Improving our website including introducing self-serve and signposting facilities
- Moving to a paper-light office
- Strict budgetary control of key areas such as training and professional fees.

We will continue to seek efficiencies, though pay increases and inflation pressures will need to be resourced. Efficiencies in 2023/24 will include: not increasing our staffing levels to reflect the increased workload, reductions in external legal advice, savings in office costs such as printing, postage and stationery and reductions in travel, training and recruitment expenditure.

During the current financial year, we will also be looking to reduce the amount of office accommodation we occupy to reduce our rent and running costs. Since the existing lease runs until 2025, this will require negotiation with the landlord. This could result in additional upfront costs (dilapidations, lease costs, changes to retained office layout and changes to IT to support hot desk working) but would deliver longer term savings. We will report further on this next year and seek to release savings to fund investment in strategic priorities.

7. Investment in Strategic Priorities

Our draft Strategic Plan sets out four strategic aims. Under the Plan we will be:

- Delivering justice with a positive impact for people and public services
- Increasing accessibility and inclusion
- Expanding our proactive improvement work
- Ensuring that we are a healthy, efficient and accountable organisation

The pressures facing the Ombudsman, and indeed wider public services, are not likely to be resolved quickly – there will be continued cost and caseload pressures, as well as increased expectations. However, these pressures make the four proposed strategic aims even more important.

We remain concerned that some groups across Wales are less likely to be aware of and use our services. These include some who may be particularly reliant on public services, and we are determined to increase our outreach and accessibility work to reach them.

Our outreach and communications work, together with the factors set out earlier when discussing caseload pressure, mean that more will be expected of our service and our organisation.

We cannot simply keep working in the same way but wanted to invest in measures that will extend the impact of our services and help us manage this growing workload. We recognise that, even in a people-based organisation, we are not going to match increases in workload with a proportionate increase in staff. That creates real challenges in terms of staff health and wellbeing and in ensuring that we continue to provide a good service to service users. To help support staff and maintain services at a time where staff and service users are increasingly dependent on technology, the original Estimate included investment in service improvement and technology.

The investment we sought reflected increasing digitisation and was to allow the development of a new website (£100,000) in 2023/24 and to commence work on an improved casework management system (£50,000), which would be completed in 2024/25 for use from 1 April 2025. The complex requirements of our systems to support efficient and customer-focused management of our increased workload, together with the growing emphasis on data analysis and reporting to support own initiative, accessibility and improvement work, meant that a considerable period would be required to develop specifications, seek tenders and implement workflow, data management and reporting. In our original Estimate submission, we sought funding for this investment over two years. In this revised and reduced submission, that investment is not included for 2023/24. A sum of £47k is, however, included to fund limited investment in service improvement and case management.

In our original estimate submission for 2023/24, we also requested investment of £127k in case management staff. If case-working staff numbers were to increase in proportion to the increase in complaints **only between 2021/22 and 2023/24** (projected), there would be at least 4 additional full-time posts (at different grades) totalling £231k. At the funding levels reflected in this revised Estimate, there is no provision for additional staff. This has implications for staff wellbeing, service levels and service quality. This is considered in more detail later in this submission.

Further investment in strategic priorities remains a priority but we reluctantly accept that this will be delayed. We will look to identify property-related savings that could support some of this investment in the future.

8. 2023/24 Estimate

In preparing this Estimate we have sought to address the Statement of Principles developed by the Senedd Finance Committee for the preparation of annual budget proposals. Appendix D shows these Principles and how they have been addressed in this Estimate submission.

Changes between the 2022/23 budget and the 2023/24 Estimate are summarised below:

	Cash £000	Resource £000
2022/23 budget	5,325	5,388
Pay pressures - April 2022 award	+180	+180
Pay and cost pressures 2023/24	+326	+326
National Insurance reduction	-38	-38
IFRS 16 changes	-	+46
Efficiencies	-199	-199
Investment in strategic priorities	+47	+47
Investment in caseload management	-	-
2023/24 budget	5,641	5,750

The Estimate for 2023/24 is shown in more detail in Appendix B and is prepared on an IFRS 16 basis. Unit costs are included in Appendix C.

Further detail, together with brief narrative for each area of expenditure group, is attached. The table shows the current year's budget, budget pressures, efficiencies and the proposed Estimate for 2023/24.

The estimate:

- Includes 5% likely pay award from April 2022 and 3% estimated pay award from April 2023.
- Includes no contingency. Since we have no contingency or reserves, any significant unexpected costs (such as pay awards above levels allowed for, or significant legal costs arising, for example, from case-related court cases or judicial review) would result in a Supplementary Budget.

- Reflects efficiencies of £199k and a reduction in employer National Insurance (£38k).
- Includes no additional staff, as the revised Estimate is insufficient to fund additional posts. This reduces our ability to address pressures on staff and provides no resources to manage current workload pressures and the increases in casework expected to arise from nosocomial Covid complaints.
- Includes reduced investment of £47k in service improvement to deliver Strategic Plan priorities.

9. Consequences of reductions compared with original Estimate

The revised Estimate does not include the investment we wanted – it provides us with funding to meet our immediate pay award and cost pressures. We will therefore be unable to take forward key elements of the draft Strategic Plan and will need to revise our Plan accordingly. The reduced Estimate has implications both for staff and members of the public.

Staff - We welcome the fact that the revised Estimate does not require **reductions** in staff numbers, but we remain concerned that continuing increases in case numbers, coupled with a likely additional increase arising from complaints about nosocomial Covid, will increase pressures on staff.

Increased complaints have already put more pressure on our staff, with each member of staff carrying a larger caseload than they have previously. Current caseloads for our investigators are now more than one third higher than in previous years. These are now above the optimum level and there is no scope to increase them further. We cannot continue to absorb this additional work without additional resources to recruit more staff members.

These high individual caseloads affect the quality and timeliness of the service we can provide, but also affects staff wellbeing. We are acutely aware of our responsibilities, as a responsible employer, to manage stress at work and to avoid putting staff in a position where they cannot succeed. We know that affects health, attendance and staff turnover and our 2022 staff survey results (see section 4) reflect these pressures and are already a cause for concern.

The investment in the website and case management system we sought in our original Estimate submission would have helped address this by reducing the number of complaints made to us that we are unable to consider and by equipping staff with better tools to do their jobs. As outlined to the Committee, increased digitisation and improved case management systems will be delayed.

Members of the public – The investment we were seeking in our website would have allowed us to focus on better guiding complainants as well as improving accessibility and our ability to provide a service to under-represented groups.

The revised level of funding, that does not reflect growth in caseload, will require us to reduce our current service levels to complainants. Without additional staff or investment in systems to help meet needs, investigations and decisions will also take longer. For example, in 2021/22 we closed 76% of investigated complaints about public bodies within 12 months and this percentage will now reduce. Similarly, in relation to code of conduct complaints, the percentage of cases closed within 12 months (which was 67% in 2021/22) will be lower in future.

If we continue to achieve a similar **number** of interventions (investigations or settling complaints by agreeing remedial actions with a public body to put things right for complainants), we will have to reduce the **proportion** of complainants who benefit from these outcomes. That is not what we wish to do but appears unavoidable. On the basis of our projection that overall casework numbers for 2023/24 will rise as set out in section 4, without additional staff our intervention rate on public body complaints is likely to reduce from our current rate of 18% to approximately 14%. This would mean that around 130 people who would have benefited from our interventions in 2023/24 will not.

We anticipate that nosocomial complaints are likely to drive the increase in case numbers from 2023/24 and we will not have the capacity to investigate all of these complaints without displacing others. Consequently, we will have to decline to resolve or investigate other serious cases. We will instead look at whether alternative remedies are available to individual complainants, including remedies through the courts.

We will, however, continue to assess complaints on their merit and carefully decide whether it is proportionate to fully investigate any complaint. We will take a proportionate approach and devote our resources to ensure that we remedy injustice in serious cases and where systemic failings may impact on groups of individuals.

10. Consequences of this revised Estimate not being approved

In a people-based organisation, where nearly 80% of our costs relate to staff, if the amounts sought to maintain the service are not approved, we would have to reduce staff numbers. We would look to do that, as far as possible, through normal staff turnover to minimise redundancy, though that makes the timing of savings uncertain. The alternative would be redundancies, though that would generate potentially significant one-off costs.

Reducing staff numbers would reduce capacity and have a negative impact on performance. This would be a concern to complainants as well as to public body staff and councillors whose actions are complained about. We are mindful of the impact that complaints can have on all those involved. Particularly in health complaints, our involvement tends to come at the end of what can be a long complaints journey. Further delays would be a cause of real concern and would increase the distress of complainants.

We already ensure that we investigate only serious complaints, but if the Estimate is not approved, we would have to increase further the threshold for intervention ('raise the bar'). This would mean that only very serious cases, perhaps cases where there may have been an avoidable death, would be investigated. As the Committee will be aware, everyone who makes a complaint considers it to be serious and if our revised Estimate is not approved, we would have more disappointed and dissatisfied complainants. This might also result in some complaints, such as those about local government and housing, receiving less priority.

Considering only the most serious complaints would also run counter to our efforts, and recent decisions of the Senedd, to make the Ombudsman's services more accessible, for example through acceptance of oral complaints. In many cases, it is only when we start to investigate a single complaint, that might not appear very serious, that we identify systemic issues that could have very serious consequences for others. The feedback we receive makes us acutely aware of the impact of our work on members of the public. We do not wish to deny complainants the opportunity to have genuine concerns investigated.

Appendix A – Budget Ambit - Public Services Ombudsman for Wales

This Estimate submission has been completed consistently with Standing Orders 18A.2 and 20.23 of the Welsh Parliament dated November 2021.

Ambit	Resources (£000)	Accruing Resources (£000)
Public Services Ombudsman for Wales	5,750	19

<u>Services and Purposes</u>	<u>£000</u>
Resources other than accruing resources for use by the Public Services Ombudsman for Wales on resource and capital costs associated with the administration of the Ombudsman's office; payments to the British and Irish Ombudsman Association; payments to the International Ombudsman Institute and associated non fiscal items.	5,750

<u>Category of accruing resource</u>	<u>Services and purposes for which income may be retained</u>
Income from commercial sales and other services provided to the public or others.	For use on related services and the administration of the Ombudsman service.
Overall amount of Income (£000)	19

Resource to cash reconciliation for 2023/24 (£000)

Net Resource Requirement	5,745 *
Net Capital Requirement	5 *
Adjustments:	
Capital Charges	(292)
Impairments	-
Movements in Provisions	-
Profit/Loss on sale of assets	-
Movements in stocks	-
Movements in debtors/creditors	20
Use of Provisions	-
Other	163
Net Cash Requirement for issue from the Welsh Consolidated Fund	5,641

* £5,745k + £5k = £5,750k Total Resource Expenditure in Appendix B

Appendix B – Estimate 2023/24

All figures in £000s	2022/23		2023/24			
	Budget 2022/23	Pressures 2022/23	Pressures 2023/24	Efficiencies	Investment in Strategic Priorities	Estimate
Staff salaries and related costs (note 1)	4,222	+180	+162 -38	(14)		4,512
Premises and facilities (note 2)	171		+13	(13)		171
Professional fees (note 3)	234		+37	(27)		244
IT costs (note 4)	250		+10	(10)		250
Office costs (note 5)	119			(11)		108
Travel, training and recruitment (note 6)	60			(20)		40
Communications (note 7)	65					65
Investment in service improvement – Revenue (note 8)	-				+47	47
Investment in caseload management staff (note 9)	-		+104	(104)	-	-
Total Revenue Expenditure	5,121	+180	+288	(199)	+47	5,437
Total Income (note 10)	(19)					(19)
Net Revenue Expenditure	5,102	+180	+288	(199)	+47	5,418
Investment in service improvement - Capital Expenditure – DEL (note 11)	5					5
Total Resources Required	5,107	+180	+288	(199)	+47	5,423
Depreciation and amortisation	70					70
Depreciation – leased assets	204		+18			222
Interest charge – leased assets	7					7
Capital AME – dilapidations	-		+28			28
Total Resource Expenditure	5,388	+180	+334	(199)	+47	5,750
Depreciation and amortisation (note 12)	(70)					(70)
Depreciation – leased assets (note 12)	(204)		(18)			(222)
Interest charge – leased assets (note 14)	(7)					(7)
Capital AME – dilapidations (note 15)	-		(28)			(28)
Change in working capital (note 16)	198					198
Other non-cash movements	20					20
Cash Requirement from WCF	5,325	+180	+288	(199)	+47	5,641

Notes

1. Salaries and Related Costs

Under our employment contracts, we are contractually committed to increase staff salaries in accordance with Local Government NJC pay negotiations. The table shows pay **pressures** (+£180k) from the April 2022 award that will carry forward to 2023/24.

For 2023/24 the table shows **pressures** of £162k (estimated 3% pay award from April 2023), offset by a reduction in National Insurance Contributions (-£38k). We will make efficiencies to cover the cost of staff salary increments within existing resources (-£14k). Overall change +£110k.

Note that pay awards for April 2022 and April 2023 are not yet settled so figures are estimates. Higher pay awards would be contained within existing resources where possible but would be likely to require the submission of a supplementary budget.

2. Premises

This major item of expenditure is the lease and running costs of our premises at Bocam Park that was subject to a rent review in August 2020. Our accommodation needs are currently under review including potential of sub-letting or surrender of part of the building. There is a cost pressure relating to electricity costs which have increased in line with the general increase in UK energy prices (£13k), but we will absorb this cost increase as part of our plans to reduce office accommodation.

3. Professional Fees

The budget for professional fees, which includes clinical advice on our casework, has been increased to reflect a 10% increase in adviser costs in line with other Ombudsman services (+£15k) and the continued increase in casework (+£22k). This has been offset by savings in other professional fees (-£27k).

4. IT - Computer Systems and IT Support

We will accommodate contractually committed IT contract price increases (£10k) through efficiencies within the IT budget.

5. Office Costs

This reflects a hybrid approach to office working from April 2022. There continue to be efficiencies in the use of resources such as paper, printing, postage and courier services as well as re-negotiation of contracts such as mobile phones. (-£11k)

6. Travel, Training and Recruitment

Savings will be made through the use of online facilities for training and meetings. Continued use of hybrid working and on-line training and meetings has reduced the need to travel. (-£20k).

7. Communications

We are maintaining current budgets for communications and will target outreach and communications work to support the priorities set put in the new Strategic Plan.

8. Investment in service improvement

In our original Estimate for 2023/24 we sought investment of £150k in service improvement for both 2023/24 and 2024/25 to enable delivery of the Strategic Plan. This investment would have allowed the development of a service-user focused website in 2023/24 (£100k), and investment in case management systems (£50k in 2023/24 and a further £150k in 2024/25). The Committee was unable to support resources to progress these ambitions. The revised estimate includes £47k for service improvement. We will look to make smaller improvements to our website to improve its value to service users.

9. Investment in caseload management staff

There is no investment in additional staff. Caseload pressures mean that we would need 4 additional staff (at different grades) to reflect the increase in complaints from 2021/22 to 2022/23 (£231k). We undertook to increase efficiencies to meet around half of that (equivalent to 2 posts) but sought 2 additional posts. The Committee was unable to support this. We will still seek efficiencies equivalent to 2 posts (cost avoidance **efficiencies** shown of £104k) but the balance will have to be achieved through reduced service levels.

10. Income

The Estimate includes ongoing income from a staff secondment to the Ombudsman Association and the provision of payroll services to the Future Generations Commissioner.

11. Capital

The standard minimal capital allowance of £5k is maintained.

IFRS 16

12. Depreciation

Depreciation has increased reflecting the changed accounting treatment of the building lease required by adoption of IFRS 16.

13. Interest charge

A new charge resulting in the notional interest arising from IFRS 16.

14. Capital AME

A new charge arising from the requirement in IFRS 16 to account for increases in dilapidation charges as capital.

15. Working Capital

Adjustment needed to offset the additional depreciation created by IFRS 16 and provide the cash requirement from the Welsh Consolidated Fund.

Appendix C – Unit costs

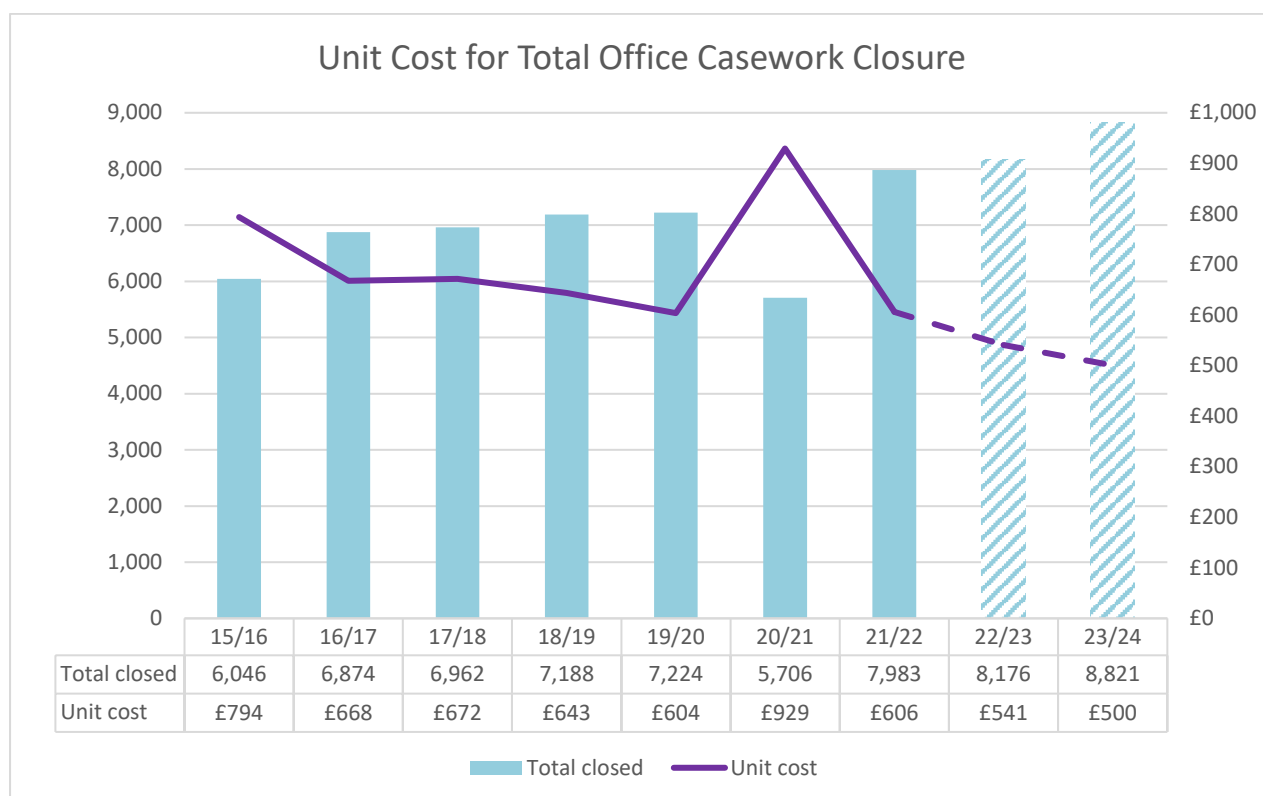
We now present unit costs calculated for our main activity – receiving, considering, investigating and responding to enquiries and complaints. This is our activity under Strategic Aim 1, and we use the audited figures for Operating Costs by Strategic Aim, presented within the accounts. Strategic Aim 1 accounts for around 77% of our expenditure, and the main costs here are direct staff costs, costs of our case management system, costs of professional advice and an allocation of overheads such as premises and office costs.

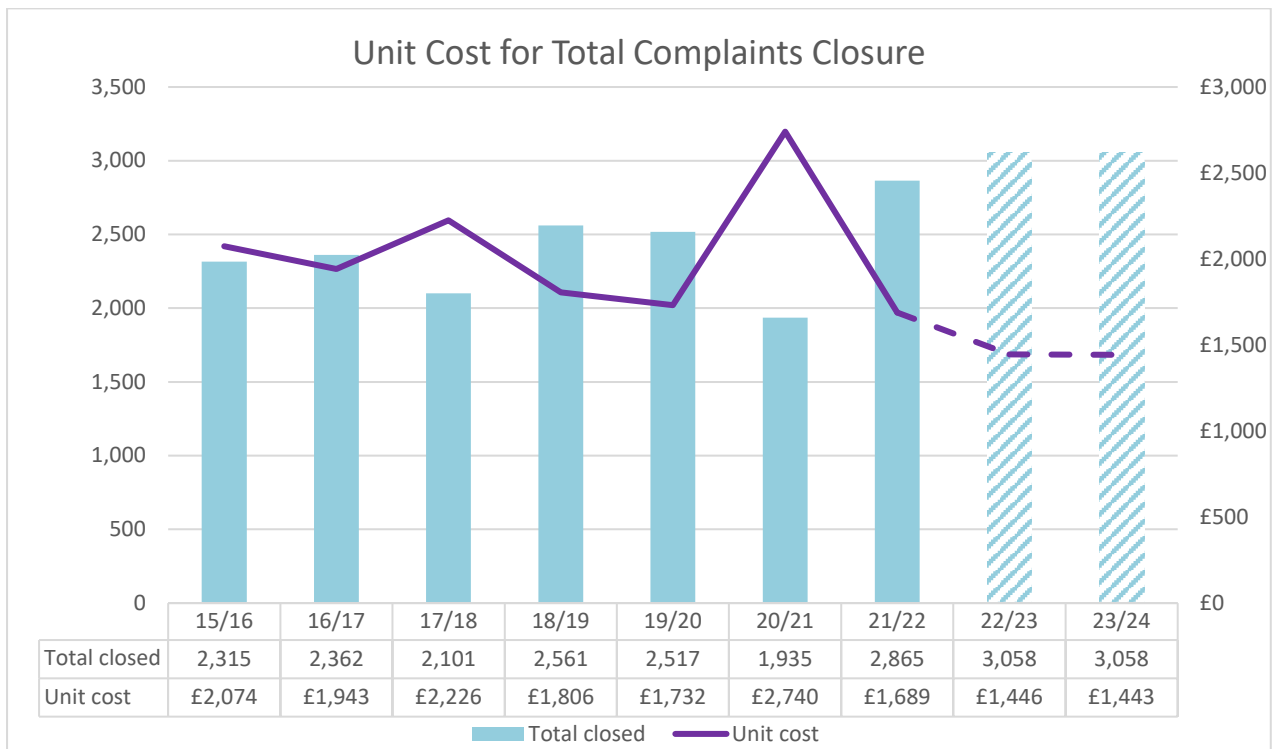
The graphs below show firstly unit cost for the full enquiry **and** complaints work **completed** (closed) in the year and secondly for complaints cases **completed** (closed) in the year. Projections for the current year and next year are included for completeness.

Real terms

All cost figures here have been adjusted to 2024 prices to allow meaningful comparison.

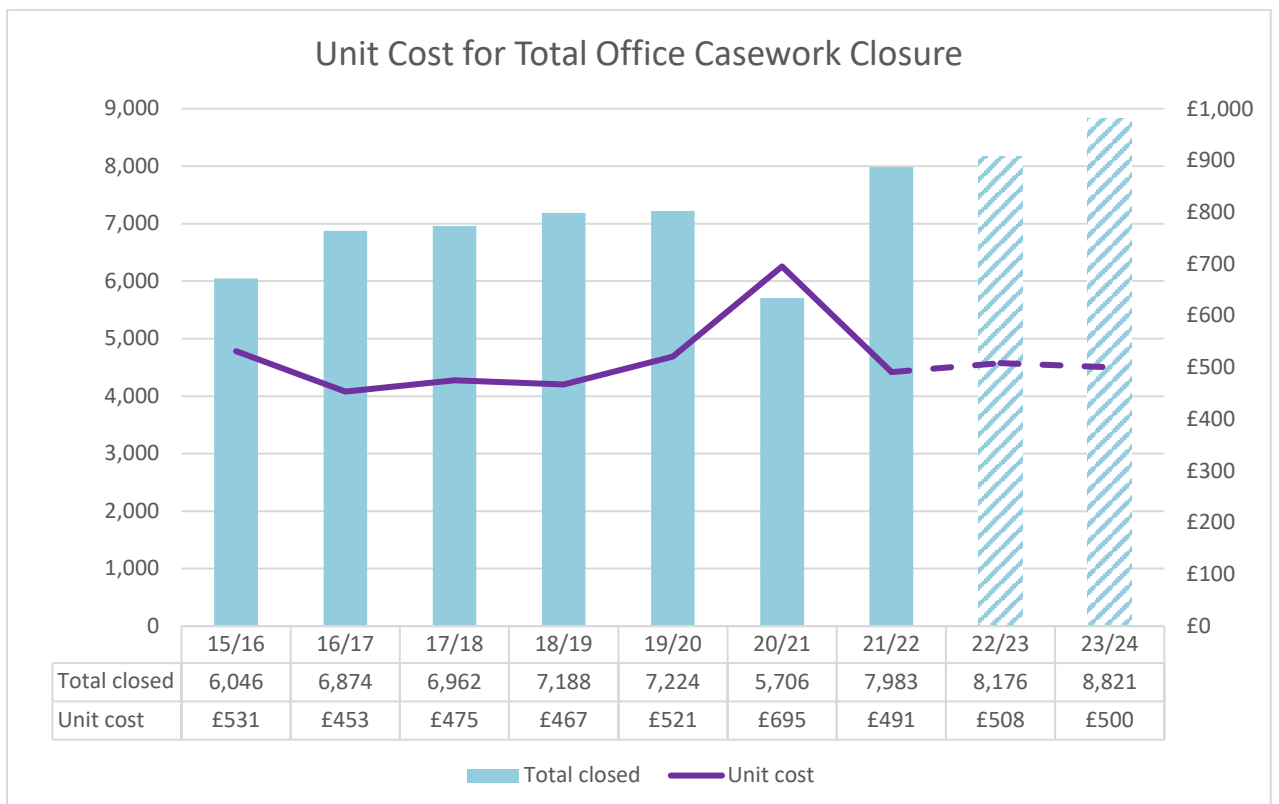
We have used the actual rates of CPI inflation for 2015/16 to 2021/22. For 2022/23 we have used CPI inflation as of August 2022, and for 2023/24 we have assumed that inflation will fall back to the same rate as in 2021/22.

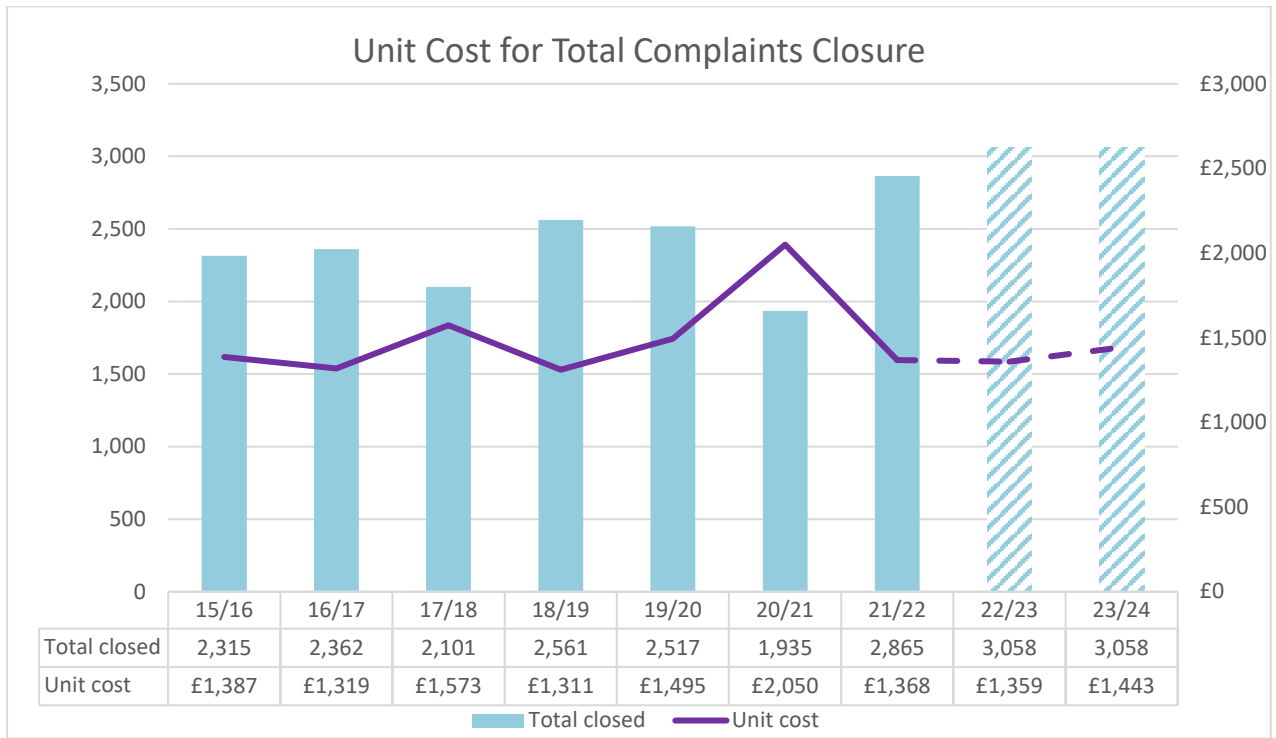




Cash terms

All cost figures here are the actual costs as reported in the Annual Accounts, not adjusted for inflation.





Appendix D – Principles that Directly Funded Bodies should consider when preparing their annual budget proposals

The Finance Committee of the Senedd has developed a Statement of Principles that Directly Funded Bodies should consider when preparing their budget proposals. This Appendix sets out the key principles and shows how they are addressed in the Estimate submission:

Principle	Comment
<ul style="list-style-type: none"> The Finance Committee believes budget estimates should be transparent, prudent and reflect the financial constraints in the public sector. 	<ul style="list-style-type: none"> The Estimate is set out in a transparent way and seeks to be prudent in recognising significant pressures facing the office (sections 4 and 5) and our ambitions (section 7). These ambitions include continued efficiencies (section 6) and better access to our services for all.
<ul style="list-style-type: none"> Budget requests should be set in the context of the long-term financial funding situation in Wales and funding pressures in the wider public sector. 	<ul style="list-style-type: none"> The Estimate reflects the financial constraints in the public sector, and includes investment in improvement (section 7), resources to meet unavoidable pressures (sections 4 and 5) and significant efficiencies (£199k – section 6).
<ul style="list-style-type: none"> Requests should show how annual and multi-annual objectives will be prioritised, monitored and achieved. 	<ul style="list-style-type: none"> Provided alongside the Estimate is the draft Strategic Plan 2023-2026, which sets out our proposed priorities. The original Estimate submission included specific investment over two years. This can largely not now proceed, and we will revise the Strategic Plan to ensure it is realistic with the level of resources provided. Whilst these investments cannot now proceed, we will report annually, in our Annual Report & Accounts, on progress in line with our revised Strategic Plan.
<ul style="list-style-type: none"> Bodies should not assume an increase in funding, regardless of the block grant change as any increase to their funding reduces resources available to other devolved public bodies. 	<ul style="list-style-type: none"> No assumptions have been made about block grant changes. The Estimate reflects workload pressures (section 4), cost pressures (section 5), and investment priorities (section 7).
<ul style="list-style-type: none"> Bodies should continually seek to improve processes and accrue efficiencies. 	<ul style="list-style-type: none"> The Estimate shows (section 6) efficiencies by completing more work since 2015/16 within the resources we have. The Estimate also shows specific efficiencies to be achieved in 2023/24.

- Where any increases in funding are requested, these should be backed by evidence both of the need, benefit and attempts that have been made to reduce such costs. Also, the consequences of not obtaining the requested increase in resource should be made clear and quantified.

- The Estimate and the Strategic Plan set out the drivers that influence budget needs, together with the investment sought. Section 9 shows the consequences of the original Estimate not being supported. Section 10 details the consequences of the reduced resources sought in this submission not being agreed.