

Public Services Ombudsman for Wales

3rd Supplementary Budget 2020-21

Explanatory Memorandum to the Chair of the Finance Committee

Repayment of Pension Surplus

The Estimate for 2020/21 was scrutinised by Finance Committee in October 2019, included in the Annual Budget Motion in December 2019 and revised by a Supplementary Budget in May 2020.

As explained to the Committee in the scrutiny session in October 2020, the last remaining employee of the Cardiff and Vale Pension Fund retired in 2020/21 meaning that PSOW, as the employer, exited the Fund. Since the Fund was in surplus this amount was repayable to PSOW.

The Scheme Actuary completed a revaluation of the Fund at the exit date, valuing the Fund at £974k, and this surplus has now been repaid in full to PSOW.

Following discussions with Audit Wales and Welsh Government colleagues it has been agreed that PSOW can treat this repayment of pension costs as income. This £974k additional income can then be used to cover operational expenditure and will in turn reduce the total cash requirement for 2020/21 compared to the original Budget Motion by £974k.

For PSOW to treat the £974k as additional income there will need to be an amendment to the wording of Part 2 of Schedule 4 of the Budget Motion (the income ambit) to include 'repayment of pension surplus' in the description. This will increase the level of income that can be retained by PSOW and allow the reduction in total cash requirement from the Welsh Consolidated Fund to be reallocated elsewhere in Wales.

Additional Resource Required to Account for Untaken Annual Leave

In May 2020, in the light of the Covid pandemic and its impact on holiday plans of our staff, we temporarily increased permitted carry over of annual leave, from one annual leave year to the next, to 14 days. Our annual leave years for staff are based on the date they started their employment. Many staff had planned holidays cancelled and it would not have been reasonable to deny staff the opportunity to have a holiday. At that time the expectation was that staff would take holidays later in the year, when it was again possible to travel. However, travel restrictions have largely continued and we are now in another period of lock-down with travel not permitted. Whilst staff have been encouraged to take time off, and have done so, many staff have not had the chance to take an extended break.

The severity and duration of the restrictions arising from the pandemic are both greater than we hoped in May, and as a result the value of annual leave earned by staff but not taken will, by 31 March 2021, be substantial. Since the permitted carry over has increased and opportunities to take holidays are much reduced, the value of this annual leave is estimated to be approximately £160,000 more than in a normal year. This value, which is effectively owed to staff, does not affect the cash position but must be reflected in our accounts as a resource commitment. The Supplementary budget submission shows this additional cost, together with an adjustment to reflect that it does not affect the cash position.

Appendix A

Estimate	2020/21	2020/21
PSOW Expenditure	Original Budget	Supplementary Budget
	£000s	£000s
Staff salaries and related costs	£3,889	£3,889
Additional resource for annual leave accrued but not taken	-	£160
Premises and facilities, including leases	£425	£425
Professional fees	£280	£280
ICT costs	£190	£190
Office costs	£118	£118
Travel, training and recruitment	£90	£90
Communications	£50	£50
Total Revenue Expenditure	£5,042	£5,202
Total Income, including pension surplus repayment	(£17)	(£991)
Net Revenue Expenditure	£5,025	£4,211
Capital Expenditure	£25	£25
Total Operational Resource	£5,050	£4,236
Depreciation and amortisation charges	£60	£60
Pension surplus adjustment (AME)	-	£974
Total Resource Expenditure	£5,110	£5,270
Depreciation and amortisation charges	(£60)	(£60)
Pension surplus adjustment	-	(£974)
Change in working capital - annual leave accrual	-	(£160)
Other non-cash movements	£20	£20
Cash Requirement from WCF	£5,070	£4,096