

## Public Services Ombudsman for Wales

### 1<sup>st</sup> Supplementary Budget - 2023/24

#### Explanatory Memorandum to the Chair of the Finance Committee

This Supplementary Budget submission has been prepared in accordance with Welsh Parliament Standing Orders 18A.2 and 20.36 (dated September 2022).

#### Summary

The following variations to the annual budget motion are proposed:

- **A sum of £74k** to cover the additional costs, above the 3% allowed for in the budget, associated with the 'full and final pay offer' made by the National Employers for local government services in February 2023.
- Since the offered award has been rejected, **a further sum of £139k** as a pay contingency to meet the cost of a pay award up to 7.9%. (If the pay award is lower, the relevant part of this £139k will not be drawn down or will be returned unspent at the year-end.)

#### Context

Staff pay is contractually linked to Local Government NJC pay negotiations for England and Wales. As indicated in the estimate submission at the time, the PSOW Estimate for 2023-24 allowed 3% for the April 2023 pay award. However, the National Employers for local government services in England, Wales and Northern Ireland have now made a 'full and final pay offer' of £1,925 per member of staff. For the Public Services Ombudsman for Wales this would result in an overall increase of 4.7% in pay costs, an additional 1.7% or £74,000 above that allowed for in the budget.

However, the offered pay award has been rejected by trade unions who are seeking an award of (Office of Budget Responsibility estimate for 2023) RPI plus 2%, which makes their claim 12.7%.

#### Impact on PSOW Staff Costs

Local government pay settlements have, in recent years, generally been below inflation, and local government employers will be acutely aware of overall local government budget settlements, and these will be taken into account in negotiations. The table below summarises some possible scenarios to illustrate their impact.

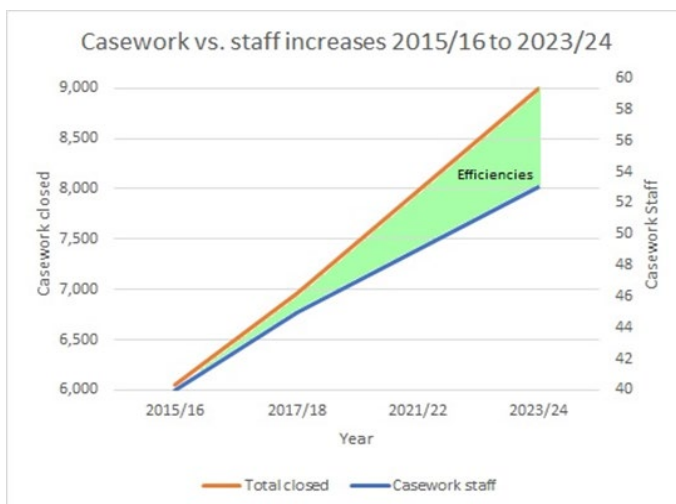
Cost of pay award if settled at:	Offer of 4.7%	Local government budget settlement in Wales – 7.9%	Mid-range 8.7%	Claim 12.7%
Included in PSOW budget (3%)	£130,000	£130,000	£130,000	£130,000
Addition to meet current employer offer	£74,000	£74,000	£74,000	£74,000
Further amount to meet estimated settlement	-	£139,000	£175,000	£349,000
<b>Total cost</b>	<b>£204,000</b>	<b>£343,000</b>	<b>£379,000</b>	<b>£553,000</b>
Additional budget required	£74,000	£213,000	£249,000	£423,000

If agreed by the National Employers for local government services in England, Wales and Northern Ireland, the trade unions' 12.7% pay claim would add a further cost (in addition to the £74k referred to above) of £349k. However, the most likely settlement is currently considered to be in the range 7.9% (in line with local government budget settlements in Wales) to 8.7% (the mid-point between the claim and the current offer). This cost is outside the control of the Ombudsman as it is a contractual entitlement under a national pay award. The Ombudsman is not involved in pay negotiations.

This supplementary budget assumes an overall pay award of 7.9%, in line with the overall increase in the local government budget settlement in Wales. 3% of this is allowed for within the existing budget. A further 1.7% (£74k) is sought now, as it is the minimum level of award. The remaining 3.2% (£139k) is sought as a pay contingency. If the actual award is lower than 7.9%, the corresponding element will be returned / not drawn down.

### Budget principles and scope for cost mitigation

The Finance Committee's Statement of Principles make clear that directly funded bodies should continually seek efficiencies and seek to reduce costs as far as possible.



The Ombudsman's office has experienced sustained increases in the numbers of enquiries and complaints without an equivalent increase in casework staff. The graph here shows the growing gap between casework completed and the number of staff. It shows efficiency increases of more than 13% since 2015/16.

These ongoing increases in the number of enquiries and complaints mean there is considerable pressure on staff. Budget constraints already mean that it is not possible to cover gaps arising from maternity/parental leave and there are already concerns that workloads could further compromise staff wellbeing.

Pay-related costs account for around 80% of the PSOW budget and it is not possible to accommodate such increases in pay costs by cutting other budgets, most of which are unavoidable IT and premises costs or the costs of casework-related clinical advice. In the absence of any contingency, these additional pay costs cannot be accommodated within existing approved budgets. The limited funding for service improvement has been committed to develop a new website that will better meet complainant and public body needs. As the budget summary at the end of this submission shows, controllable expenditure in areas such as staff training, travel, outreach, communications is very limited, with budgets insufficient to meet pay award costs. In any event it would be extremely undesirable to halt outreach and engagement work, staff training etc.

In addition, current high levels of inflation are affecting the Ombudsman's other budgets, with the costs of ongoing contract increasing in line with inflation. As an example, the Ombudsman's main IT contract costs have increased by 9%, Microsoft have increased their licence costs by 9%, Audit Wales has increased its fees by more than 10% and electricity costs have almost doubled. The Ombudsman will work to contain these cost increases as far as possible. However, since there is no contingency within the Ombudsman's budget, this will be challenging.

### **Consequences if increase in resources not obtained**

The Finance Committee's Statement of Principles also indicate that submissions should include the consequences make clear that directly funded bodies should continually seek efficiencies and seek to reduce costs as far as possible.

There are no current vacancies, and any reductions in staffing levels would be costly if achieved through compulsory redundancies. A further supplementary budget would be required for redundancy costs.

Reductions in staffing levels would in any event have a severe detrimental impact on service levels, public bodies and complainants, with greater delay and prolonged distress and anxiety.

For these reasons, a supplementary budget submission now is unavoidable.

### **Proposed approach**

The timing, as well as the value, of an agreed pay settlement is uncertain – it has been as late as the March following the effective date. This uncertainty about timing adds to the challenges. Following discussion with the Ombudsman's Audit & Risk Assurance Committee and Advisory Panel, the supplementary budget submission is being made now, to highlight and manage the risk. This is considered to be both prudent and transparent.

In view of these uncertainties, this supplementary budget submission adopts the approach used for the 2021/22 financial year, where funding is sought for an estimated pay award, but on the understanding that if the actual pay award is lower, the corresponding amount will not be drawn down or will be returned unspent.

Of course, the actual pay award may be higher than 7.9%. Should that be the case, we will attempt to contain this within the revised budget, but for the reasons set out above a further supplementary budget submission might be necessary.

## Resources Sought

The following variations to the annual budget motion are proposed:

- A sum of £74k to cover the additional costs, above the 3% allowed for in the budget, associated with the 'full and final pay offer' made by the National Employers for local government services in February 2023.
- A further sum of £139k as a pay contingency to meet the cost of a pay award up to 7.9%. (If the pay award is lower, the relevant part of this £139k will not be drawn down or will be returned unspent at the year-end.)

1 <sup>st</sup> Supplementary Budget 2023/24	£000s		
	Estimate 2023/24	Pay Award	Revised Estimate
Staff salaries and related costs	4,512	74	4,586
Premises and facilities	171		171
Professional fees	244		244
IT costs	250		250
Office costs	108		108
Travel, training and recruitment	40		40
Communications	65		65
Committed investment in service improvement	47		47
Contingency for pay award	-	139	139
<b>Total Revenue Expenditure</b>	<b>5,437</b>	<b>213</b>	<b>5,650</b>
Total Income	(19)		(19)
<b>Net Revenue Expenditure</b>	<b>5,418</b>	<b>213</b>	<b>5,631</b>
Investment in service improvement - Capital Expenditure	5		5
<b>Total Resources Required</b>	<b>5,423</b>	<b>213</b>	<b>5,636</b>
Depreciation and amortisation	70		70
Depreciation – leased assets	222		222
Interest charge – leased assets	7		7
Capital AME – dilapidations	28		28
<b>Total Resource Expenditure</b>	<b>5,750</b>	<b>213</b>	<b>5,963</b>
Depreciation and amortisation	(70)		(70)
Depreciation – leased assets	(222)		(222)
Interest charge – leased assets	(7)		(7)
Capital AME – dilapidations	(28)		(28)
Change in working capital	198		198
Other non-cash movements	20		20
<b>Cash Requirement from WCF</b>	<b>5,641</b>	<b>213</b>	<b>5,854</b>