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Peredur Owen Griffiths MS  
Chair of the Finance Committee  
Senedd Cymru

Via email

**Reference:** KC23002/AC364/  
caf **Date issued:** 26 June 2023

Dear Peredur

Thank you for visiting our new Cardiff office in May. We hope you agree that it provides an excellent environment for our staff to work collaboratively – benefitting both their wellbeing and audit quality - whilst delivering savings for the public purse.

You will see from our recently published [Annual Report and Accounts](#) that we delivered this project for substantially less than originally estimated. The final capital cost of the move was £351,000 as compared to the £575,000 original estimate.

As set out in our [Supplementary Estimate for 2022-23](#) we expect to deliver ongoing annual savings of around £220,000 compared with the cost of the previous office. We are proud of this and the approach we took to the move:

- We achieved capital savings on the move, in large part, by maximising re-use of furniture and equipment.
- We spent £274,000 on fit-out, £250,000 of which went to Welsh-based SMEs and the remainder to UK-based SMEs.
- We applied a circular economy approach drawing some £150,000 of social value from the move through, for example, the re-use of the previous tenant's fittings, re-purposing of storage disposed of by another tenant, the use of recycled materials and the donation of surplus paint to another tenant. A fuller breakdown is attached to this letter at Annex A.
- As our space was reduced by 40%, we donated furniture and equipment that we could not bring with us to other public and third sector organisations and

We are still in discussion with the landlord of our former office at Cathedral Road on the final dilapidation settlement for that property. Based on discussions to date, we have made sufficient provision within our Annual Report and Accounts for 2022-23 and identified sufficient cash funding in our Estimate for 2023-24 to meet these costs.

### **Our North Wales office**

As discussed during your visit, the next phase of 'our Future Workplaces' project is to relocate our Abergele office to the Welsh Government offices in Sarn Mynach, Llandudno Junction. This move will require a Supplementary Estimate in 2023-24 for IFRS16 technical accounting purposes only, and this is attached to this letter. The resource and cash requirements for the move are minimal and were allowed for in our Estimate for 2023-24 and so do not require any supplementary request for funding.

This move will take advantage of underutilised public sector accommodation in North Wales, benefitting both Audit Wales and the Welsh public sector more generally. We expect to deliver annual savings of around £30,000 from the move contributing to the £500,000 savings target within our annual Estimate.

As auditors of the Welsh Government, we have had to consider whether this move posed any risk both to our ethical standards and independence. We are confident that those risks are minimal and acceptable. Nonetheless, we want to make them clear to the Committee, as annexed to this letter.

Please do not hesitate to contact us if there is any further clarification we can provide.





Yours sincerely



**KATE CHAMBERLAIN**  
Chair, Wales Audit Office



**ADRIAN CROMPTON**  
Auditor General for Wales

Breakdown of expenditure and Social Value	£000s
 <b>A Prosperous Wales</b>	
<b>More opportunities for local businesses and SMEs</b>	
Business awarded to SMEs in Wales (fit-out & furniture)	£250
Business awarded to SMEs in UK	£24
Social value of expenditure to local SME & Welsh Economy	£140
Percentage of total spend to SME businesses	78%
<b>Resource efficiency and the circular economy</b>	
<p>Reuse of fittings, furniture, and equipment</p> <ul style="list-style-type: none"> <li>Fit-out - the prior tenants meeting rooms, kitchens, and carpets, and equipment were reused wherever viable. The main alterations made were to improve shower area and LED lighting.</li> <li>Furniture - reused furniture from our previous office where possible within space constraints (residual value £36.1)</li> <li>Reused built in cupboards disposed of by another company, diverting 1 tonne of waste (savings of £15k)</li> <li>Procured refurbished office chairs &amp; used donated reused meeting chairs in place of new</li> <li>Used recycled materials where possible</li> <li>Donated our surplus paint to another tenant for their fit-out</li> </ul>	<p>Contributed to Capital savings above</p> <p>Social value estimated at £150k (unaudited)</p>
 <b>A Wales of cohesive communities</b>	
<p>Donated surplus furniture and equipment to -</p> <ul style="list-style-type: none"> <li>Sardis House, Interim Housing Options - Homelessness &amp; supporting people, Rhondda Cynon Taff.</li> <li>Mass Vaccination programme site, Aneurin Bevan Health Board.</li> <li><a href="#">Cwm Arian Renewable Energy</a>, Pembrokeshire – a community benefit society working on green energy projects, to furnish a new community stiwdio and community office.</li> <li>Primary and community Care Services Group - meeting room, office, and kitchen to move a non-acute unit off Princess of Wales site; and a new wellbeing and meeting area on site.</li> <li>Open Access Outreach Support – Education and Family Support, supporting a new evening youth provision in Bridgend.</li> <li><a href="#">Value Independence CIC</a>, Pembrokeshire – dedicated care and assistance to individuals wanting to live an independent and active lifestyle.</li> <li><a href="#">Paul Sartori House</a>, Pembrokeshire - charity supporting hospice at home.</li> </ul>	Estimated value at £30k residual value of existing stock
 <b>A globally responsible Wales</b>	
Carbon emissions reduced - energy emissions savings of 265t (lease life)	£100 NPV benefit
 <b>A more equal Wales</b>	
<ul style="list-style-type: none"> <li>Engaged Ministry of Furniture &amp; Merthyr Institute for the Blind for limited furniture (30% disadvantaged workforce)</li> <li>Engaging all staff and representative groups in the design</li> </ul>	

*(Unaudited figures – social value based on TOMS Wales social value measurement). We are unable to report publicly in our accounts without further review*

## *Annex B*

### *Ethical Standard*

The Ethical Standard sets out that the appointed auditor should not go into business with a body it audits unless it is not material to either party and has been arranged on an arm's length basis (e.g., by an agent).

The payment is in the region of £29k per year for rent and service charge, which at 0.1% of our annual expenditure (and some infinitesimally small proportion of WG income), is well below materiality.

The property was being offered by the WG as set out in the Ystadau Cymru, Estate Co-location and Land Transfer Protocol, which states 'As part of the land transfer protocol, public sector property that is available to let or buy is initially only available to other public sector organisations.' The Protocol also sets out that arrangements must be formalised through leases or license arrangements. As the premises are not being marketed publicly, we could not use an agent (although we did consider other properties where an agent was engaged).

While not arranged through an agent, WG's estates team have offered the space on a standard price basis i.e., they would charge any tenant the same price.

- The same price of the unit was also offered to Transport for Wales and the email sent to them was forwarded to us for consideration.
- There is also some distance in the arrangement as it is not being arranged by the AGW with Welsh Ministers directly, although it is not completely arm's length because WAO monitors, advises and resources the AGW and his work.
- The approach is consistent with public sector aims for collaboration and sharing; and
- A similar approach was also adopted with our Penllergaer office. It transferred to Welsh Government during the initial lease, and so when the lease came to be renewed it could only be made on an arm's length basis with an artificial co-ordination through an agent (which would have led to ineffective use of public funds).

### *Independence*

We have considered independence for the AGW's audit of WG's accounts and VFM examinations/study powers in respect of WG's estate management.

We concluded that in terms of the AGW's audit of WG's accounts, an objective, reasonable and informed third party would not view our leasing of accommodation at Llandudno Junction as impairing objectivity.

The AGW's VFM examinations/study powers in respect of WG's estate management, could conceivably be considered to impair objectivity. On balance we consider that risk to be small and that may also be considered as helpfully informative. We do not have any plans to undertake such work in the next few years.

We also considered that PAPAC may have interest in WG use of estates – it has been doing an enquiry on Regeneration of Town Centres and may consider as part of that WG's approach to its estate in the context of its Town Centres First policy. We also reported on the WG workforce planning and management which noted WG's plans to take forward its workforce strategy aligned with its new workplace and digital strategy as part of its WG 2025 initiative. PAPAC also took evidence and so may comment on workplace issues in its report.

On balance, for VFM work, it was also considered that an objective, reasonable and informed third party would not conclude that our objectivity would be impaired by such a lease.

We have also written to the WG in line with the Standard.

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

Issued: June 2023

Document reference:

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

Adrian Crompton  
**Auditor General for Wales**

Kate Chamberlain  
Chair, on behalf of the **Wales Audit Office**

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