

1 Capital Quarter / 1 Cwr y Ddinas
Cardiff / Caerdydd
CF10 4BZ

Tel / Ffôn: 029 2032 0500

Fax / Ffacs: 029 2032 0600

Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Peredur Owen Griffiths MS
Chair of the Finance Committee
Senedd Cymru

Via email

Reference: KC23009/AC399/caf

Date issued: 6 December 2023

Dear Peredur

In line with accounting requirements, our Estimate each year includes resource funding to establish a provision for the expected costs of dilapidation when our property leases come to an end – dilapidation referring to the cost of putting right alterations and wear and tear to a building at the end of a tenancy. At the end of 2022-23, the total provision for our 3 offices stood at some £864,000.

Following the move from our Cathedral Road office in March 2023, our 2023-24 Estimate included additional cash funding to allow us to utilise part of this provision during 2023-24 to settle the dilapidations claim made by the landlord in respect of our occupancy. The initial claim received from the landlord was in line with the provision that we had set aside for the Cathedral Road office. We have, however, been negotiating hard with the landlord since receiving the claim and have managed to agree a significant reduction. This means that we are in a position to release some £400,000 of this provision in 2023-24– a reduction in both our resource and cash requirement for the year.

On 20 September 2023 the Committee considered our request for additional funding of £442,000 in 2023-24 in order to make a cost-of-living payment of £1,500 to our staff in line with the payment made by the Welsh Government and its associated bodies. Following the meeting, you indicated that you were sympathetic to our decision to seek this supplementary budget given the difficulties we would face in absorbing this cost within our normal budget, as we do not hold reserves and the option of holding vacancies to fund the payment is not practical given our unique funding arrangements.

You also outlined the position of the Welsh Government that bodies should seek to absorb this payment from within existing budgets and confirmed that our additional funding would be subject to a decision by the whole Senedd when it considers the Welsh Government Supplementary Budget Motion in February 2024.

At the time of our engagement with the Committee, we did not anticipate negotiating such a prudent dilapidations settlement. Having done so, however, and when coupled with some smaller savings identified in other budgets, we now have sufficient financial headroom to make the cost of living payment to our staff. This will allow us to withdraw our request for the £442,000 cash and resource set out in our Supplementary Estimate.

As would be the case for any organisation, the provision made for dilapidations is not hypothecated i.e., there is no requirement for it to be used solely for that purpose. To ensure complete transparency, we would point out that our 2023-24 Estimate said that any reduction in the amount of cash required for the dilapidation's settlement would be returned to the WCF at year end. However, given the Committee's subsequent consideration of the Supplementary Estimate, we hope it will agree that a sensible approach would be to use our available resource and cash as described above. Any unspent cash at year end will be returned to WCF via an administrative adjustment in 2024-25 – in line with our normal practice.

You will remember that this Supplementary Estimate also included the non-cash IFRS16 impact associated with our North Wales office move, reflected in our first Supplementary Estimate which the Committee supported at its meeting on 6th July 2023. As this is a specific accounting requirement with a ringfenced budget, we wish to retain that original request.

This will enable us to make the payment to our staff sooner, with consequent benefits in terms of industrial relations, and will not require that element to be put before the Senedd in the Supplementary Budget Motion in February.

Yours sincerely



KATE CHAMBERLAIN
Chair, Wales Audit Office



ADRIAN CROMPTON
Auditor General for Wales