

## Public Services Ombudsman for Wales

### Estimate 2026/27

## 1. Introduction

- 1.1 This Estimate submission for 2026/27 has been prepared for consideration by the Senedd Finance Committee. The office's [Annual Report & Accounts for 2024/25](#) provide details of activities and achievements in that year. Our new Strategic Plan for 2026 to 2029 is being prepared and will be published for consultation later in the year. It is intended that the Plan is finalised and approved in early 2026.

## 2. Executive Summary

- 2.1 In 2024/25, we saw an increase in the number of complaints received about public services. Since 2019/20, the volume of new complaints reaching our office has increased, by 43%. This increase in caseload, and the pressure that this places on the wellbeing of our staff, is hugely challenging. To manage this increase, we have intervened early in more cases, avoiding the need for lengthy investigations, while also reducing the time it takes us to complete investigations. We are also continuing to experience increased case numbers in the current year.
- 2.2 This Estimate has been prepared within the context of the increase in complaints and enquiries, and our residual red risk (as shown in our Annual Report & Accounts): that we have reached capacity, in terms of the level of cases we are able to positively intervene in each year. The Estimate reflects the resources needed to support the delivery of the Strategic Aims, which will be set out in our new Strategic Plan, whilst also being mindful of the challenges continuing to face public sector finances.
- 2.3 Our submission considers 2026/27 as a 'step-change' year, with a request for more substantial investment that will provide vital, additional resources to help us deal with both the current workload, and to future-proof the organisation against the future workload challenges our data shows we can expect to deal with.
- 2.4 In Summary, the Estimate includes:
- 3% forecast pay award for April 2026 (£157k).
  - £237k investment in additional staffing resources, to bring us back up to optimal capacity, to better reflect the caseloads we are dealing with, and to provide greater resilience and capacity.
  - £70k investment to meet the additional costs of key IT procurements due in 2026/27 (£42k) and to fund our initial work on using AI to further improve efficiency in our casework (£28k).
  - Reflects cash-saving efficiencies of £87k, from savings on professional advice which will be used to meet the some of the costs of additional staffing.
  - Reflects a cash-saving of £29k, as pension payments to spouses of former Local Government Commissioners will be lower in 2026/27.

- Reflects cash-saving efficiencies of £42k, from savings on previous IT procurements, which will be used to offset the procurement cost increases in 2026/27.
- 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 submission.

2.5 **In summary, the Cash and Resource requirements are £6,787k and £6,820k respectively. This is an overall cash increase of £345k, or 5.4%, as a result of efficiencies being used to offset some significant cost pressures. 3.0% of this increase arises from externally generated pay and price pressures, which if approved would represent a ‘business as usual’ and stand still budget increase. The remaining 2.4% requested covers the growth needed to cope with increases in demand, and investment to make our service more efficient.**

2.6 The PSOW Act does not allow a charge to be made for our services and we receive no fee income. We recover the costs of payroll services to the Future Generations Commissioner only and are therefore entirely dependent on funding from the Welsh budget, following the recommendations of the Senedd Finance Committee. Our budget includes no contingency, and we hold no reserves.

2.7 In addition to the cash-releasing savings above, we continue to make volume efficiencies (‘doing more with the same’), as a result of not increasing our staff numbers in proportion with the increases in casework that we are continuing to experience (see section 6). Whilst these efficiencies do not generate cash savings, they reflect real efficiencies made. However as discussed with the Committee last year, we have now reached capacity in terms of the level of cases we are able to positively intervene in each year.

2.8 The proposed budget ambit is shown in Appendix A.

### 3. 2025/26 Update

3.1 Our Strategic Plan for 2023-26 sets out our vision and ambition for public services in Wales. It also sets out our four Strategic Aims:

1. Delivering justice with a positive impact for people and public services
2. Increasing accessibility and inclusion
3. Increasing the impact of our proactive improvement work
4. Ensuring that we are a healthy, efficient and accountable organisation.

3.2 Our new Strategic Plan for 2026 to 2029 is being prepared and will be published for consultation later in the year. It is intended that the Plan is finalised and approved in early 2026.

- 3.3 We monitor and report on our performance against a number of Key Performance Indicators (KPIs), which aim to support continuous improvement in our performance and capture, more accurately, the impact of our work. We prepare annual business plans, setting out key actions that will help us meet our Strategic Aims.
- 3.4 During 2024/25, we received 9,757 new cases overall; a 43% increase compared to 2019/20. Of this number, 3,547 of these cases were duly made complaints. This was 10% more than in 2023/24 and the highest number of complaints we have ever received in a single year. Performance is set out in detail in the Annual Report and Accounts 2024/25.
- 3.5 We need to be mindful of the impact of growing numbers of complaints on staff health and wellbeing. Our inability to positively intervene in more cases is demoralising for staff who have to decline to take forward a larger proportion of cases and continue to handle the pressure of our increasing caseload.
- 3.6 We also need to be aware of the impact on service users. We already ensure that we investigate only serious complaints, but continued increases in complaints may mean we would have to increase further the threshold for positive intervention. This would mean that only very serious cases would be investigated. As the Committee will be aware, everyone who makes a complaint considers it to be serious and if our Estimate is not approved, we would have more disappointed and dissatisfied complainants and service users.
- 3.7 In the current year, the 2025/26 local government pay award has been settled. In July 2025, it was announced that all staff would receive a pay award of 3.2% (backdated to April 2025). Our Estimate submission last year included a provision for a 3% pay award. Despite the actual settlement being slightly higher than we had allowed for, we will accommodate the additional pay costs in existing budgets.
- 3.8 We were grateful that the Finance Committee supported our 1<sup>st</sup> Supplementary Budget submission which sought additional resources to cover the increase in employer National Insurance contributions from April 2025. We will respond to the recommendation made in the Committee's scrutiny report of the Welsh Government's 1<sup>st</sup> Supplementary Budget in early 2026, as requested.
- 3.9 The additional resources provided in our 2024/25 budget, for one caseworker and a data analyst, have been put to good use. The additional caseworker post has helped to manage ongoing increases in casework through our innovative new Graduate Investigation Officer scheme. Our Lead Data Officer has been in post for one year. In that time, we have developed our first Data Strategy, as we believe that our decisions should be data-driven and we are committed to making that happen. The way that Welsh public sector organisations are reporting on their data is changing, and we want to be at the forefront of this. We have already made improvements in how we are analysing trends, forecasting future caseloads and in the internal presentation of our data.

- 3.10 We were also pleased to see a significant increase in our staff survey results, with 91% of staff saying that this is a great place to work, in comparison with 74% last year. In addition, 93% of staff said they were proud to work for PSOW, compared to 83% last year.
- 3.11 Another significant development in the current year has been the formation of our first Medium Term Financial Plan (MTFP). The MTFP looks ahead to the pay and price pressures facing PSOW over the next 3 years, together with the pressures of increasing demand for our services. The plan seeks to identify the resources likely to be needed to allow services to be delivered to an acceptable standard and to allow our strategic objectives to be met.
- 3.12 The MTFP explains how we can achieve our long-term aims, by focusing on continuous service improvement, and it will assist us in meeting one of the Finance Committee's Statement of Principles – Statement 4 (which expects directly funded bodies to “show how annual and multi-annual objectives will be prioritised, monitored and achieved”).
- 3.13 As the Committee will recall, cyber security remains a significant and constant risk in our risk register. In the last year, we have procured additional external support that includes an annual cyber security audit, monthly internal and external vulnerability scans, support for ongoing Cyber Essentials / Cyber Essentials Plus certifications, penetration testing, training including phishing simulations, device monitoring and, if and when needed, access to expert support if an incident occurs.
- 3.14 The Committee, in last year's scrutiny report, made a recommendation that we give consideration to how Artificial Intelligence (AI) can help support us to manage our increasing workload. We plan to use AI in a secure and ethical way, that will ensure AI does not replace human decision making by our professional Investigation Officers and Managers. Currently two AI initiatives are planned. The first is a MS Co-Pilot pilot project, involving our IT, Information Governance, Executive Support and Assessment Teams. Additional resources are being sought to purchase licences for staff. The purpose of this pilot is to assess improvements in staff personal productivity through the use of MS Co-Pilot, before considering a wider deployment to other teams.
- 3.15 The second initiative is to assist our main casework supplier (CAS) with the development of AI capabilities within our case management system. This is at no initial cost to PSOW. We are also reviewing automated redaction products, to supplement our current manual redaction product, Adobe. Other opportunities to look at the intelligent automation of our front and back office business processes will be considered in 2026/27.

## 4. Casework Pressures

- 4.1 Our caseload remains very high, compared with pre-COVID levels (43% up since 2019/20). We continue to work at full capacity on our casework and continue to experience increased case numbers when we are already under significant pressure. Overall, we intervened in 18% of the public service complaints that we closed last year, which was lower than during 2023/24 (20%). As outlined above in paragraph 2.2, we are working at full capacity and as cases continue to rise year on year, the level of cases we are able to positively intervene in each year is declining. We are concerned about the negative impact this has on a large proportion of our service users, when we decline to positively intervene in their cases. In relation to Code of Conduct cases, we referred 15 Code of Conduct cases to either the relevant Standards Committee or the Adjudication Panel for Wales last year.
- 4.2 Public Service Complaints - in order to manage our casework, we are continuing to apply our proportionality test and only positively intervene in serious cases and when we see opportunities to address potentially systemic failings to improve public services. Despite the volume pressures, we successfully adjusted our approach last year to take forward more non-health related complaints with a particular focus on housing disrepair/damp & mould complaints - ensuring that we use our limited casework resources in a balanced way, across all public services. Whilst we also reduced aged public service complaints investigations to less than 10% of our open investigations, the increase in cases has led to significant pressures at the assessment stage of our process.
- 4.3 Code of Conduct complaints - we have seen an ongoing high volume of cases. Whilst a significant proportion are not taken forward for investigation, we have continued to see approximately 15- 20% of cases meeting our two-stage test<sup>1</sup> for investigation – we impartially and fairly apply this test on the evidence presented in complaints to decide whether the two-stage test is met - it is right, therefore, that we formally investigate all cases which meet the two stage test in a consistent manner, to maintain trust and confidence in our office. We have a significant amount of work to do on our aged Code of Conduct investigations, which represent approximately 30% of our open Code investigation cases. As a trial this year, we have dedicated a member of staff to work on Code assessment cases – early signs are that this has been effective in allowing other staff in the Code team to focus on aged investigations. We have also introduced additional case reviews to monitor progress on cases and whether it is proportionate and/or in the public interest for investigations to continue.

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<sup>1</sup> The two stage test – (i) whether the evidence provided in a complaint suggests that a breach of the Code has occurred, and (ii) whether an investigation is required in the public interest.

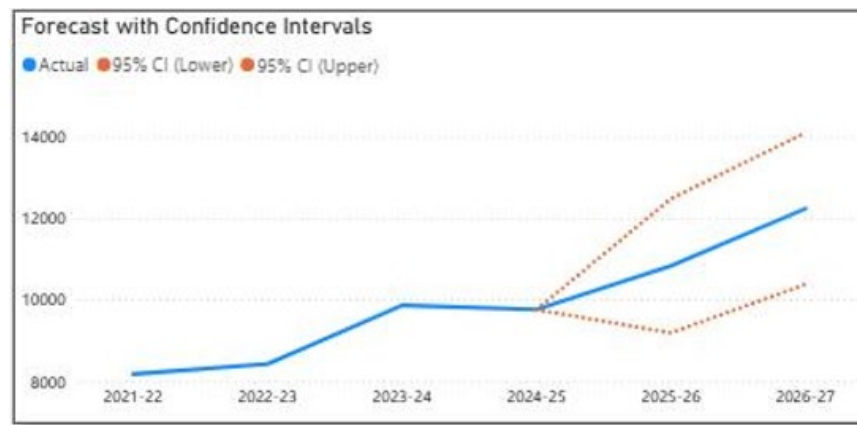
- 4.4 Our initial forecast is based on our actual casework data for the first 5 months of the year (April to August 2025). Our data shows that we are currently experiencing an 13% increase in enquiries in the current year to date. The high volume of enquiries suggests that this will lead into an increase in the number of complaints in the next few months, as those enquiries are processed. Our historic data shows that generally 50% of enquiries convert into complaints (the average since 2019/20 is 48%). We have used this percentage to forecast the future number of Public Service Complaints.
- 4.5 As per a previous Committee recommendation, we have revised our approach to forecasting with the assistance of our Lead Data Officer. The figures in the table below, for 2025/25 and 2026/27, are our forecast increases based on year-to-date figures, however, in light of the uncertainty (being so early in the financial year) in forecasting future workload, we have used confidence intervals<sup>2</sup> to form the basis of our future forecasts.

Year	Enquiries received	Code of Conduct complaints received	Public Service complaints received	Totals
2019/20	4,727	231	2,242	<b>7,200</b>
2020/21	4,001 (-15%)	308 (+33%)	1,874 (-16%)	<b>6,183 (-14%)</b>
2021/22	5,158 (+29%)	294 (-4%)	2,726 (+45%)	<b>8,178 (+32%)</b>
2022/23	5,350 (+4%)	283 (-4%)	2,790 (+2%)	<b>8,423 (+3%)</b>
2023/24	6,630 (+24%)	328 (+16%)	2,905 (+4%)	<b>9,863 (+17%)</b>
2024/25	6,210 (-6%)	315 (-4%)	3,232 (+11%)	<b>9,757 (-1%)</b>
2025/26 (projected)	7,012 (+13%)	358 (+13%)	3,506 (+8%)	<b>10,876 (+11%)</b>
2026/27 (projected)	7,924 (+13%)	405 (+13%)	3,962 (+13%)	<b>12,291 (+13%)</b>

**Table 1: Workload 2019/20 to 2024/25 with projections to 2026/27**

- 4.6 Graph 1 (below) shows past, current and projected numbers of enquiries and complaints, including confidence intervals. The inclusion of confidence intervals at the 95% level recognises that the actual number of enquiries and complaints received will vary from the figures in Table 1, and we expect the actual increases to be within the ranges in the graph.
- 4.7 For the 95% interval, this means that the range of values will be correct in 95% of estimations, and the 95% interval suggests total cases for 2026/27 could be as high as 13,803 (which would be a 27% increase).

<sup>2</sup> A confidence interval is a range of values, derived from historic data, that is likely to contain the true value of a population parameter, with a certain level of confidence. It is commonly used to reflect uncertainty in statistical forecasting and reflects good practice in data analysis. For example, a 95% confidence interval suggests you can be 95% confident that the actual parameter is within the range. Graph 1 excludes 2019/20 and 2020/21 from the Confidence Interval calculations because it mitigates the impact of the COVID pandemic on our casework figures.



**Graph 1: Forecast casework increases to 2026/27, including confidence intervals**

- 4.8 The cumulative effect of increases in casework and the fact we are working to full capacity and seeing ongoing caseload increases, means that, if we continue to manage our increasing public service complaints caseload by raising the bar for cases which are suitable for resolution or accepted for detailed investigation, then we may not be able to maintain the current level of positive intervention. To ensure that individual staff caseloads are manageable, we are queuing cases at various points in our process.
- 4.9 Our service users are left disappointed when we cannot positively intervene in a large proportion of cases. Also, it is demoralising for our staff, who are declining to investigate an increasing proportion of our public service complaints, as they take pride in our office's purpose and work to put things right for individuals when they have been treated unfairly by public bodies.
- 4.10 In relation to Code of Conduct complaints, we remain committed to improving our investigation timescales on Code cases. We recognise the impact long investigation timescales can have on individuals involved in cases and are using all available resources to improve the position. However, we are also mindful of likely future pressures arising as a consequence of the 2026 Senedd and 2027 Local Government elections – historically we have seen the number of Code complaints increase in the run up to elections.
- 4.11 Our current Strategic Plan for 2023-26 includes a strategic aim to increase accessibility and inclusion in our services. Whilst resources continue to be constrained, this still remains an important aim. We will work to maintain the improvements we have seen this year in providing access to our services for those groups currently under-represented in our service users. We expect that this will result in more enquiries and complaints from these groups.
- 4.12 Following the enactment of the Public Services Ombudsman (Wales) Act 2019 ('2019 Act'), when established, the CSA had 2 members of staff. The CSA now has 51 public bodies working under the Standards. This financial year, we are starting the process of bringing the majority of the remaining Housing Associations (13) under the Standards. With the increase in bodies working under the Standards, there is increasing demand for training and support.



- 4.13 Further, the time and resource required to collect and collate CSA data each quarter is increasing leaving little time, alongside delivering training, to proactively reach out to bodies whose data may cause concerns around non-compliance.
- 4.14 In 2026/27 and beyond, and in addition to the above, the CSA will continue to bring further public bodies under the Standards, specifically GPs, dentists, pharmacies and opticians. Whilst the process for doing so will require adaptation, given that the CSA resources available would not be conducive to continuing onboarding as we have done previously, this will provide additional demand on already limited resources.
- 4.15 We will also take forward any recommendations the Committee makes to us following its Post-legislative review of the 2019 Act. The casework pressures that we are experiencing mean we will have to continue to balance resources across our reactive and proactive powers to deliver outcomes for the citizens of Wales.

## 5. Cost pressures

- 5.1 Almost all our budget continues to be 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

- 5.2 Nearly 80% of our costs are staff costs and our biggest cost pressures arise from pay awards and employer pension and National Insurance contributions. These are not costs that we can directly control, at least in the short term. As indicated above, staff are contractually entitled to pay awards agreed for local government staff in England, Wales and Northern Ireland by the local government National Employers organisation.
- 5.3 Pay award costs are outside the control of PSOW and we have no input into pay award negotiations. The 2025/26 local government pay award has been settled at 3.2%. This submission includes provision for a 3% pay award from April 2026 and we are seeking £157k to help us meet increased staff costs. However, if the actual local government pay award is higher than we have provided for, we may have a funding shortfall that we may need to fund through the Supplementary Budget process.

### IT Contract Renewals

- 5.4 Our previous Estimate submission explained how our new IT Support contract would commence in April 2025, and that we would be allowing for an extra £20k to help us meet this (entirely funded through the efficiency savings from property). In reality, the cost of the new contract was cheaper than the previous one, so this additional funding was not needed and an additional £22k was saved. Therefore, the overall saving from the re-procurement of our IT Support contract was £42k.



- 5.5 In 2026/27, we will enter a new contract for the hosting and support of our website. The procurement exercise will commence later in 2025, however, we will be looking for a supplier to host our existing website, alongside an enhanced support package, in light of the reliance we have on our website and the growing cyber security threat. We would also seek a more agile supplier, with greater capabilities to deliver future improvements in functionality, and who is more advanced in potentially integrating AI tools, such as chatbots, into our website. We know that this will be more expensive than our current arrangement and, therefore, will use £32k of our previous saving to fund these increased costs, without seeking additional funding from the Welsh Consolidated Fund.
- 5.6 An additional cost pressure we are facing is the increased costs of our Adobe licences, which are currently procured through the Crown Commercial Services framework. The current 3-year deal will end in March 2026, meaning that the costs for 2026/27 will be under the new framework. We know that re-tendered contracts are likely to be more costly than the expiring contracts, therefore, we will be allowing for an extra £10k to help us meet this, to be funded through the efficiency savings from the IT Support contract.

### **Price inflation**

- 5.7 For the current year (2025/26), we anticipated 2% inflation based on the rate of CPI, at June 2024. In reality, actual rates of CPI inflation have been higher, peaking at 3.6% in June 2025, which has had an impact on utility and other supplies and services costs, including contracts where there is annual indexation. A number of annual costs, particularly IT, tend to increase by more than CPI.
- 5.8 For 2026/27, we have assessed the impact of inflationary increases on a line-by-line basis. The Office for Budget Responsibility predicts inflation will peak further, later in 2025/26, before falling to 2% for 2026/27. The Estimate includes 3.5% as an inflationary cost pressure, reflecting 2% for 2026/27, plus the additional 1.5% catch up effect from 2025/26, which we are currently experiencing. Whilst we will continue to seek best value prices from suppliers, general inflationary pressures make price increases likely. We are seeking £39k to help us meet these costs of inflation.

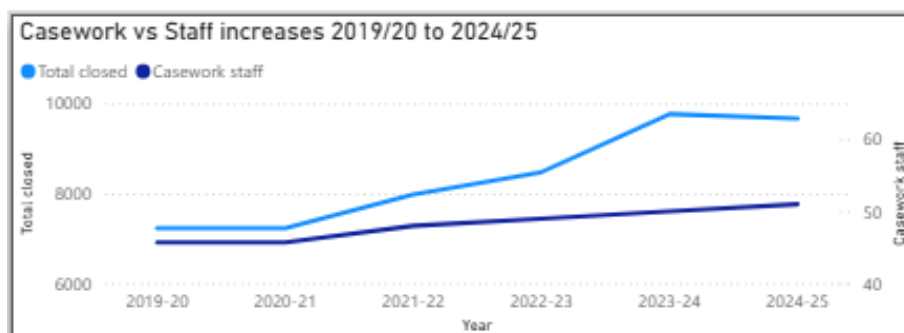
## 6. Efficiencies

### *Cost efficiencies*

- 6.1 We have continued to deliver substantial cost efficiencies. We have looked to fund many price inflation pressures and staff increments over the past 2 years as a result of process improvements and other internal efficiency savings, such as:
- Reducing our office space by 45%, negotiating dilapidations costs and an early exit from our lease commitment, and entering a new lease, for the reduced area, in April 2024.
  - Staff efficiencies, through reorganisation and staff turnover
  - IT efficiencies, following investment and reduced use of third-party suppliers
  - Reducing the number of printers/copiers the office now owns
  - Moving our contract management system in-house, rather than using a paid, third-party, supplier.
- 6.2 Since our last Estimate submission, we have successfully generated £87k worth of efficiency savings, as a result of changing our approach to professional advice. We have also saved £42k through the re-tendering and change of supplier of our IT Support contract.
- 6.3 We are mindful of the pressures on Welsh public finances and therefore propose to apply the £87k cash-saving efficiency from our professional advice saving, to fund some of the investment in additional staffing resources, and the £42k IT saving to meet the increased costs relating the re-procurement of other key IT contracts. There is also a saving of £29k as pension payments to spouses of former Local Government Commissioners will be lower in 2026/27, which we will re-invest. This reduces our call on the Welsh Consolidated Fund, to fund pay and price increases.

### *Volume efficiencies*

- 6.4 Over the last five years, the volume of new complaints reaching our office has increased by 43%, whereas our staff permanently employed in 'Complaints & Investigations' has only increased by 6%. There has not been a commensurate increase in staff numbers dealing with complaints and enquiries – in reality a 43% increase in staff would equate to an increase of 21 to date (and of 23 by 2025/26). This demonstrates our commitment to achieving greater efficiency and our track record of doing so. We have successfully worked to increase volume efficiency and manage this growing caseload by 'doing more with the same'.
- 6.5 Of course, what is important is not just the number of complaints and enquiries **received** but also the work completed and the number of complaints assessed, investigated and closed. The analysis below therefore considers the cases **closed** each year.



**Graph 2: Closed casework vs. staff numbers**

- 6.6 This diagram shows the number of cases we have **closed** each year and the number of casework staff between 2019/20 and 2024/25. This shows the continued and growing gap between casework staff and the volume of casework we are dealing with, and the efficiency (cost avoidance) savings we have made as a result.
- 6.7 This gap between increases in case closures and increases in staff numbers yields an estimated annual volume efficiency of around £900k. These efficiencies do not generate cash savings, but they reflect real efficiencies made.
- 6.8 Based on the modelling in our MTFP, our data suggests that this larger ‘step-change’ increase in staff numbers could be a one-off, and future increases in staff numbers may be lower than the increase that is being requested in 2026/27. The additional resources we would be seeking in 2026/27 would put us on a sustainable footing over the next few years, and would substantially reduce the risk of us needing further large staff budget increases over the medium term.

## 7. Investment in Strategic Priorities

- 7.1 We are in the process of developing our new Strategic Plan for 2026-2029. 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 new Strategic Plan even more important.
- 7.2 We were grateful that, in last year's Estimate, the Committee supported additional funding to appoint a new Lead Data Officer, and our new Data Strategy will be crucial in our commitment to make better use of our data. This year's investment in additional staff will give us an opportunity to review and re-set our staffing needs in the areas of work which are most pressurised – at the assessment stage of the public service complaints process and for Code of Conduct investigations.
- 7.3 Additional funding will give us an opportunity to add greater staffing resource and resilience to the assessment stage of our public service complaints processes – to enable us to assist more service users through early resolution and to reduce the need for us to queue cases at this stage of our process.
- 7.4 As Code of Conduct investigations and the subsequent adjudication process are very different to public service complaints investigations, additional funding will give us an opportunity to review and reconfigure our team in a way in which supports the different stages of the Code investigation and adjudication process – detailed evidence gathering, often from numerous witnesses; interviewing councillors; the drafting of reports, clearly and concisely, to draw out undisputed and disputed facts and representing the Ombudsman during the adjudication process. It will also enable us to continue our trial of having a dedicated member of staff on Code assessment work, which has allowed other staff to focus on progressing aged investigation cases.
- 7.5 We remain committed to investment in our IT & Digital Strategy and will continue to achieve this, by using our property savings, which will allow us to make investment in significant change without an additional call on funding from the Welsh Consolidated Fund. We are making good progress on the development of a new portal, to securely and efficiently communicate information and exchange documents with external parties. Phase 1 involves using our new portal to communicate with Relevant Bodies for Public Service Complaints. The portal has been provided to us for testing by CAS (the supplier of our main casework management system) and is undergoing final changes and configuration prior to it being deployed to an initial group of relevant bodies in Q3 2025/26. Wider deployment to relevant bodies will follow. Future phases of our new portal will expand its deployment to include Independent Professional Advisors, complainants and Code of Conduct cases; and all portal work will be funded from our existing budgets.

## 8. 2026/27 Estimate

- 8.1 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.
- 8.2 We have also considered the letter from the Cabinet Secretary for Finance and Welsh Language, dated 11 July 2025, which set out various factors to inform future budget planning. Whilst the letter explains the Senedd are planning a business-as-usual budget for 2026-27 this autumn, we feel that we cannot continue to respond to continued increases in demand without additional resources, for the reasons explained earlier in this document.
- 8.3 Changes between the 2025/26 budget and 2026/27 Estimate are summarised below:

<i>All figures in £000</i>	<b>Cash</b>		<b>Resource</b>
<b>2025/26 Budget</b>		<b>6,442</b>	<b>6,476</b>
3% pay award costs for 2026/27 and staff increments		+157	+157
Investment in additional staffing resources	+237		
Efficiency savings from professional advice work	(87)		
Saving in pension payments	(29)		
<b>Net increase in additional staffing resources</b>		+121	+121
Inflationary cost pressures for 2026/27		+39	+39
Increased costs from website re-procurement	+32		
Increased costs from Adobe licence re-procurement	+10		
Efficiency savings from previous contract re-procurements	(42)		
<b>Net increase in IT procurement costs</b>		-	-
Investment in Artificial Intelligence		+28	+28
IFRS 16 adjustments		-	(1)
<b>2026/27 budget</b>		<b>6,787</b>	<b>6,820</b>

**Table 2: Changes between the 2025/26 budget and the 2026/27 Estimate**

- 8.4 The Estimate for 2025/26 is shown in more detail in Appendix B and is prepared on an IFRS 16 basis. The presentation of Appendix B has been amended to align with our Annual Accounts, in line with the recommendation made by the Committee last year. Unit costs are included in Appendix C.
- 8.5 Further detail, together with a 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 2026/27.
- 8.6 Our cost pressures mainly arise from increased staff costs: £157k is required to meet the additional anticipated cost of the April 2026 pay award and contractual staff increments; and £237k is needed for investment in additional staff resources to assist the office in light of the significant casework pressures we are currently dealing with, so that we can positively intervene in more cases. Over the last five years, the

volume of new complaints reaching our office has increased by 43%, whereas our staff permanently employed in 'Complaints & Investigations' has only increased by 6%.

- 8.7 To offset against a part of this investment in additional staff, we have made a cash-releasing efficiency saving of £87k relating to our costs of professional advice, which has been achieved through efficiencies in our process and improvements that have arisen as a result of previous investment into our Case Management System. There is also a saving of £29k as pension payments to spouses of former Local Government Commissioners will be lower in 2026/27.
- 8.8 There are also inflationary pressures of £39k on our non-staff expenditure and £28k is required to invest in the use of Artificial Intelligence (AI) in our casework, as recommended by the Committee, through the use of MS Co-Pilot. All costs of significant IT re-procurement in-year (£42k) will be met through efficiency savings. We are not seeking additional funding for investment in improved digital and IT services, other than a small inflationary uplift.

## **9. Consequences of Estimate not being approved**

- 9.1 The Estimate seeks to balance the financial pressures and need for investment, on the one hand, with an understanding of the challenging state of public finances in Wales. In the main, the increases sought are the result of externally generated pay and price pressures, which would be a 'business as usual' and stand still budget increase. This makes up 3.0% of our overall cash increase. The remaining 2.4% requested covers growth and investment in additional staffing and AI.

### ***Consequences of £196k (+3.0%) pay award and inflationary costs not being approved***

- 9.2 If the Estimate does not cover the costs of the pay award and inflation, this will result in reductions in staff numbers. If these cannot be achieved through natural turnover of staff, redundancies would be necessary.
- 9.3 If the costs of pay awards and inflation are not included in the approved budget, redundancies would be required, amounting to the loss of 3 full time posts. This would be hugely concerning at a time when demands for our services are the highest they have ever been, the pressures on our staff are the greatest they have ever been, and when the role of the Ombudsman is as important as ever in securing accountability and justice from Welsh public services. Such redundancies would also require the submission of a Supplementary Budget to meet one-off redundancy costs.
- 9.4 Furthermore, increasing the pressures on staff would have an adverse impact on staff wellbeing. Increased complaints have put more pressure on our staff and, if the Estimate is not approved, there is a risk that the incidence of absence due to stress will increase.

- 9.5 Any reduction in staff numbers would also have an adverse impact on service levels, resulting in less time to engage with individual complainants, longer response times, less detailed consideration of some complaints and we would need to raise the bar further, regarding which cases merit further consideration, when we have already had to reduce the proportion of cases we positively intervene in, in order to manage demand. A reduced level of service would be a cause of real public concern, and likely reduce confidence in our office's ability to deliver fair and timely outcomes for individuals involved in cases. We would also have to scale back the use of our proactive powers and our outreach work to attract complaints from groups who have been under-represented in our complaints.

***Consequences of £116k self-funded investment in staff not being approved***

- 9.6 Going forward we want to continue to deliver our current service levels and take a balanced approach to our casework, across all public services. We have already raised the bar on public service complaints to only consider serious complaints, or those which suggest there may be systemic maladministration or service failures. The findings and recommendations we make on our detailed investigation reports, (the most serious of which are public reports), demonstrates that we are targeting our limited investigation resources effectively, to improve public services.
- 9.7 If the investment is not approved and the number of cases continue to rise, we will not be able to maintain the proportion of cases in which we intervene positively, to provide fair and just remedies for individuals who have been treated unfairly by public bodies. We would also likely have to reduce the use of our proactive powers to manage the casework demands. We would not be able to continue with our trial of having a dedicated member of staff on Code assessment work, and it will take us longer to improve timescales on Code investigations

***Consequences of remaining £121k (+1.9%) investment in staff not being approved***

- 9.8 If we are only able to invest our efficiency savings in additional staffing resources, this would have a limited impact in helping to address our current and future workload pressures. Without the marginal increase in resources we will not be able to meet the projected increase in the demand for our services, as set out above, without reducing the quality of service provided to the public. We would be able to continue with our trial of having a dedicated member of staff on Code assessment work and would be able to make a small investment in, potentially, another part-time member of staff. However, this would not allow for any meaningful change in capacity.
- 9.9 Our plans to review and re-set our staffing needs in the areas of work which are most pressurised would have to be delayed. We would miss out on the opportunity to add greater staff resource and resilience to the Assessment stages of our public service complaints processes which means we would not be able to assist more service users through early resolution. It is likely that queues at this stage of our process would grow. The opportunity to review and reconfigure our approach to Code work, to reflect the various stages of the Code investigation and adjudication process, will also be lost.



- 9.10 As explained above, we would also have to reduce our service levels to citizens in Wales with the proportion of cases we are able to positively intervene in reducing further. An increasing proportion of our resources would need to be devoted to issuing reasoned decisions on cases which do not meet our threshold for intervention which would result in us positively assisting fewer service users at a time when there is significant pressure on public services and our office is often the only available remedy of last resort.

***Consequences of £28k (+0.5%) investment in AI not being approved***

- 9.11 The use of AI is growing and we hope that over the next few years we can deploy it wisely to enhance service quality and further increase process efficiencies. To achieve the most benefit from AI, we are seeking a small investment for licenses for staff, which, if not approved, will put our trial of MS Co-Pilot on hold. Without these AI capabilities, we risk becoming less responsive and more resource-intensive, especially as the demand on our service grows. Our use of AI is initially being targeted at improvements in staff personal productivity, and this opportunity would be missed, if the investment was not approved.

## Appendix A – Budget Ambit - Public Services Ombudsman for Wales

This Estimate submission has been completed consistent with Standing Orders 18A and 20.23 of the Welsh Parliament, dated January 2025.

Ambit	Resources (£000)	Accruing Resources (£000)
Public Services Ombudsman for Wales	6,820	4

<u>Services and Purposes</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.	<p><b>£000</b></p> <p><b>6,820</b></p>

<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.
<b>Overall amount of Income (£000)</b>	<b>4</b>

### Resource to cash reconciliation for 2025/26 (£000)

<b>Net Resource Requirement</b>	<b>6,815 *</b>
<b>Net Capital Requirement</b>	<b>5 *</b>
Adjustments:	
Capital Charges	(159)
Impairments	-
Movements in Provisions	-
Profit/Loss on sale of assets	-
Movements in stocks	-
Movements in debtors/creditors	20
Use of Provisions	-
Other	106
<b>Net Cash Requirement for issue from the Welsh Consolidated Fund</b>	<b>6,787</b>

\* £6,815k + £5k capital = £6,820k Total Resource Expenditure in Appendix B.

## Appendix B – Estimate 2026/27

	2025/26	2026/27			
All figures in £000s	Budget 2025/26 1 <sup>st</sup> Supp	Pressures / Inflation 2026/27	Investment in Strategic Priorities	Efficiencies	Estimate
Staff salaries and related costs (note 1)	5,194	+157	+237	(52)	5,536
Premises and facilities (note 2)	162	+1			163
Legal and professional fees (note 3)	242			(87)	155
External Audit fee (note 3)	25				25
Computer Services (note 4)	351	+69	+28	(42)	406
Investment in service improvement and IT & Digital Strategy (note 5)	105	+4			109
Office costs (note 6)	105	+4			109
Travel and subsistence (note 7)	15	+1			16
Training and recruitment (note 8)	28	+1			29
Communications (note 9)	70	+1			71
<b>Total Revenue Expenditure</b>	<b>6,297</b>	<b>+238</b>	<b>+265</b>	<b>(181)</b>	<b>6,619</b>
Total Income (note 10)	(27)	+23			(4)
<b>Net Revenue Expenditure</b>	<b>6,270</b>	<b>+261</b>	<b>+265</b>	<b>(181)</b>	<b>6,615</b>
Capital Expenditure – DEL (note 11)	5				5
<b>Total Resources Required</b>	<b>6,275</b>	<b>+261</b>	<b>+265</b>	<b>(181)</b>	<b>6,620</b>
Depreciation and amortisation	70				70
Depreciation – leased assets	87	+2			89
Interest charge – leased assets	44			(3)	41
Capital AME – dilapidations	-				-
<b>Total Resource Expenditure</b>	<b>6,476</b>	<b>+263</b>	<b>+265</b>	<b>(184)</b>	<b>6,820</b>
Depreciation and amortisation	(70)				(70)
Depreciation – leased assets (note 12)	(87)			(2)	(89)
Interest charge – leased assets (note 12)	(44)	+3			(41)
Capital AME – dilapidations	-				
Change in working capital	147				147
Other non-cash movements	20				20
<b>Cash Requirement from WCF</b>	<b>6,442</b>	<b>+266</b>	<b>+265</b>	<b>(186)</b>	<b>6,787</b>

## Notes

### 1. Salaries and Related Costs

Under our employment contracts, staff salaries are increased annually, in accordance with Local Government NJC pay negotiations. For 2026/27, the table shows pressures of £157k (cost of staff increments and estimated 3% pay award from April 2026).

Higher pay awards would be contained within existing resources, where possible, but would be likely to require the submission of a Supplementary Budget. The Committee has previously indicated its preference for this method of Estimate construction, rather than the inclusion of a contingency to cover any potentially higher pay settlement.

There is also investment of £237k in additional staff resources. This will be used to re-set our staffing needs in the areas of work which are most pressurised. There are offsetting efficiency savings - £23k relates to the end of a staff secondment to the Ombudsman Association, and is offset by the change in income (see note 10) and £29k relates to expenditure that is no longer needed following the death of one of the spouses of former Local Government Commissioners, to whom PSOW has responsibility for pension payments.

### 2. Premises

This major item of expenditure is the lease and running costs of our premises at Bocam Park. This budget was significantly reduced in our last Estimate submission, where our new lease negotiation resulted in a cash efficiency saving of £105k. For 2026/27, these costs are subject to inflationary cost pressures of £1k.

### 3. Legal and professional fees (including external audit fee)

We have identified a cash efficiency saving of £87k, resulting from our use of professional advice. This will be used to offset some of the additional investment in staff requested above.

### 4. Computer Services

We have a number of contractually committed IT contract price increases. In 2024/25, we allowed for a 2% inflationary increase, but actual increases for the year were higher. This, alongside an inflationary uplift for 2025/26 and 2026/27, creates a cost pressure of £27k.

The additional costs following re-tendering for our website and Adobe contracts (+£42k) will be met through the efficiency savings we have made in previous IT contract renewals, such as our IT Support re-procurement in 2024/25.

As per previous recommendations from the Finance Committee, we are also making developments in the use of AI in our casework. A small amount of additional resource (+£28k) is sought to assist with purchasing licences, to allow us to start this work.

## 5. Investment in service improvement and IT & Digital Strategy

In 2024/25, we invested the balance of savings from our property rationalisation project in service improvement and implementation of our IT & Digital Strategy. This investment will support staff in their roles, help develop our systems to support the ongoing efficiencies required in the budget and deliver improvements in our service and in communication with service users. This year seeks a small inflationary uplift only (+£4k).

## 6. Office Costs

These costs are subject to inflationary cost pressures of £4k.

## 7. Travel and Subsistence

These costs are subject to inflationary cost pressures of £1k.

## 8. Training and Recruitment

These costs are subject to inflationary cost pressures of £1k.

## 9. Communications

Communications costs are subject to inflationary cost pressures of £1k. We will continue to use low and in-house options for communications and providing information about our services.

## 10. Income

The Estimate includes ongoing income for the provision of payroll services to the Future Generations Commissioner. The staff secondment to the Ombudsman Association ended in August 2025, so has been removed from the Estimate (+£23k).

## 11. Capital

The small annual capital allowance of £5k is maintained.

## 12. IFRS 16

This is the accounting adjustment needed to offset the depreciation and interest charge created by IFRS 16 and provide the appropriate cash requirement from the Welsh Consolidated Fund. There is a very small adjustment in the 2026/27 Estimate (-£1k), to account for minor IFRS 16 changes.

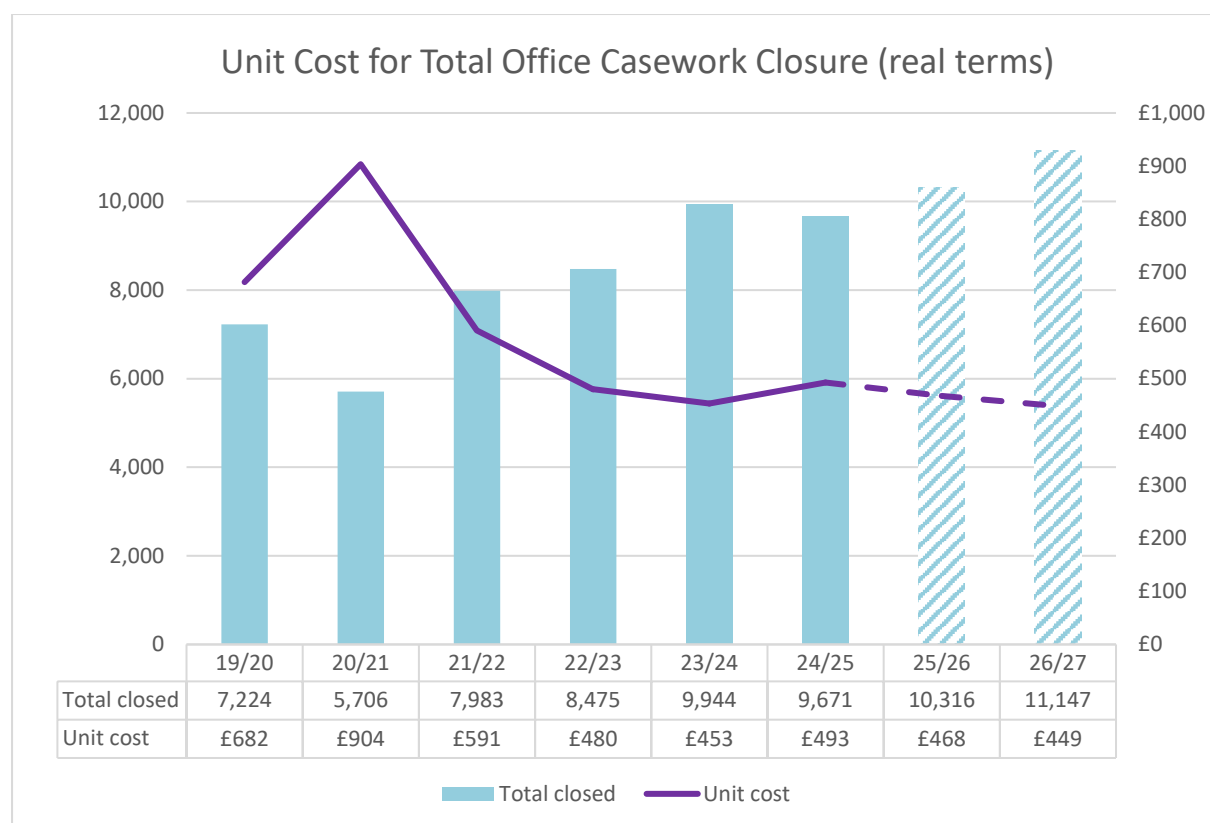
## Appendix C – Unit costs

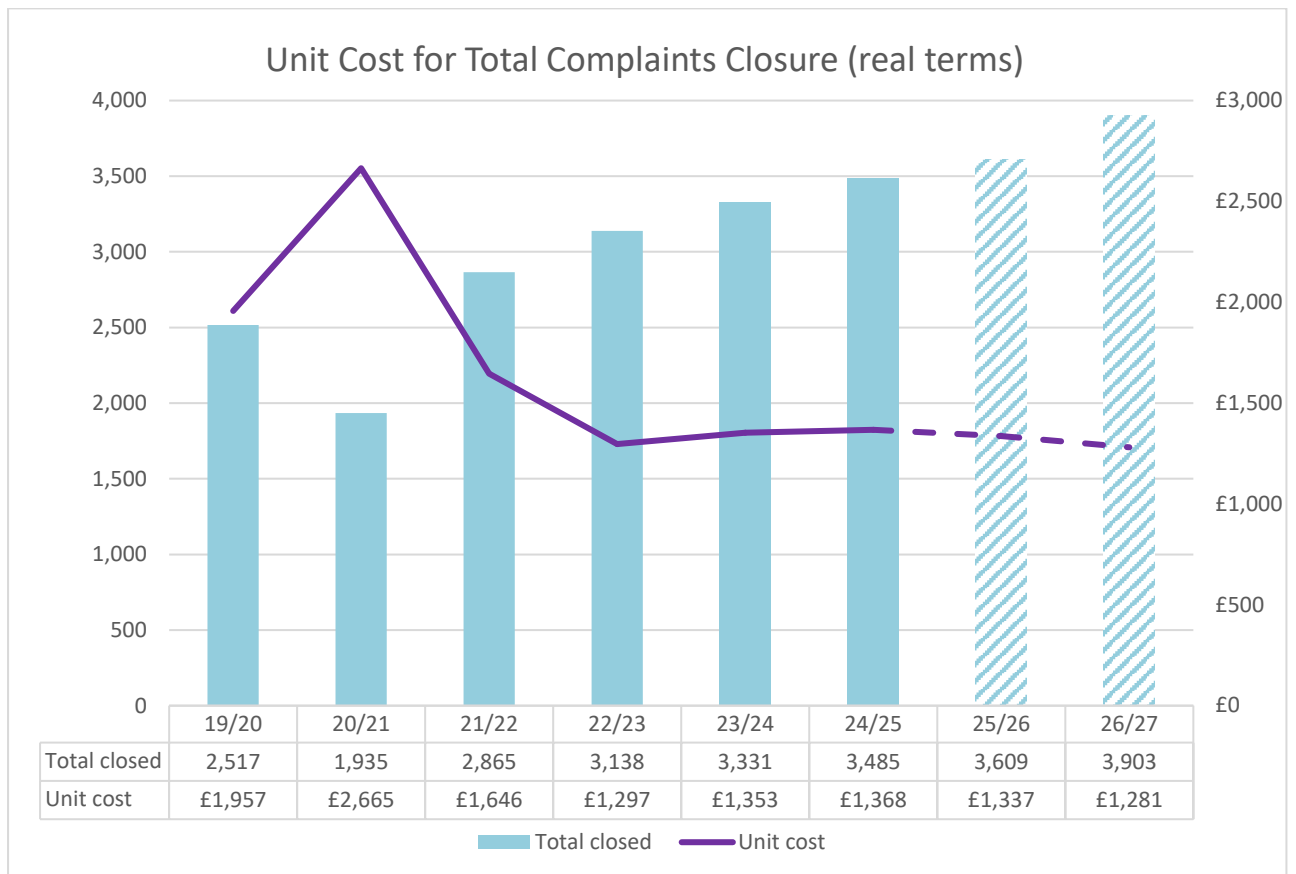
We continue to present unit costs calculated for our main activity – receiving, considering, investigating and responding to enquiries and complaints. This is our activity under Strategic Aim 1, and we use the audited figures for Operating Costs by Strategic Aim, presented within the accounts. Based on our 2024/25 Accounts, Strategic Aim 1 accounts for around 73% 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 only, **completed** (closed) in the year. Projections for the current year and next year are included, for completeness. As indicated above, if cases increase at the rate anticipated, we will continue to seek efficiencies but, in the light of ongoing resource constraint, do not anticipate being able to increase the number of cases **closed** in line with the increase in cases **received**.

### Real terms

All cost figures here have been adjusted to 2026 prices to allow meaningful comparison. We have used the actual rates of CPI inflation for 2019/20 to 2024/25. For 2024/25 we have used CPI inflation as of July 2025, and for 2026/27 we have assumed inflation will be 2%.

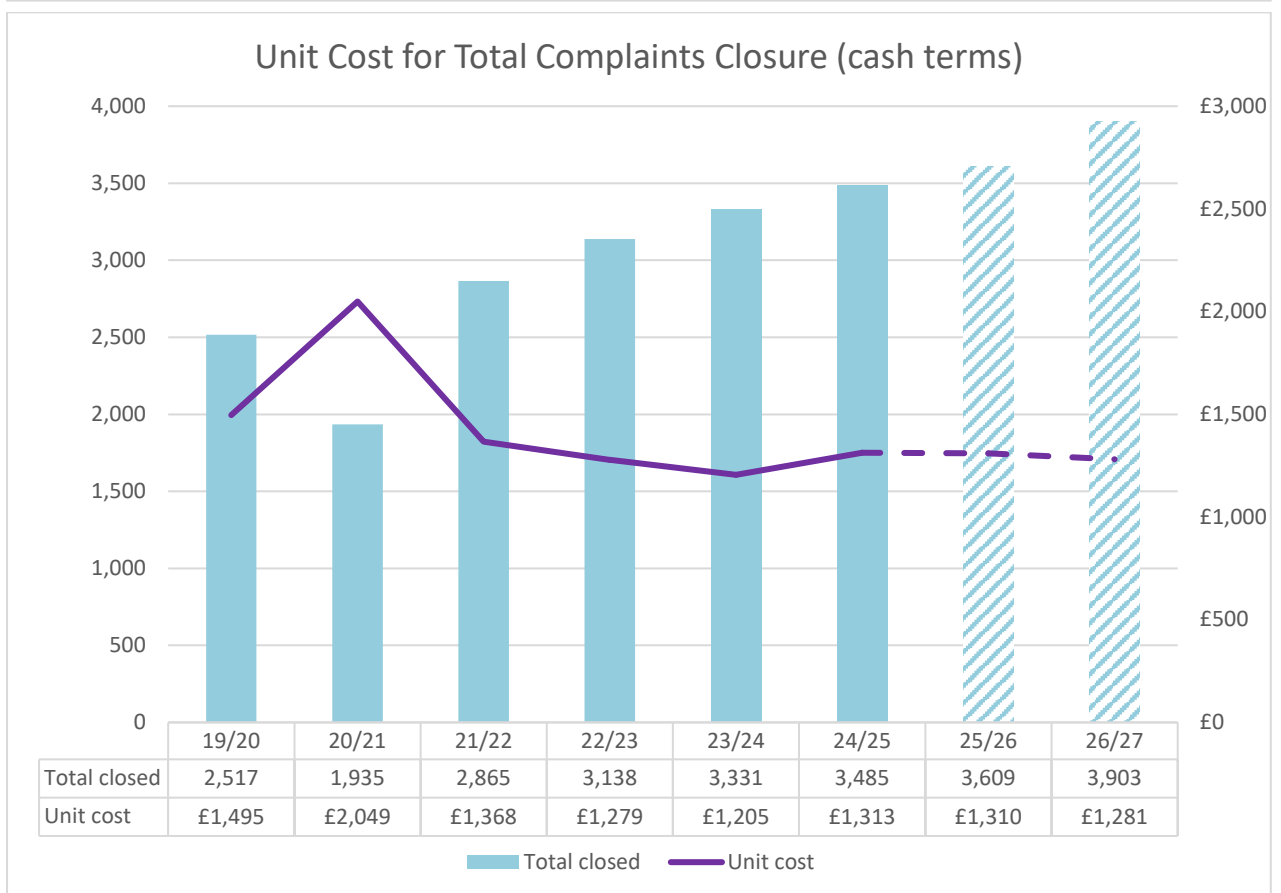
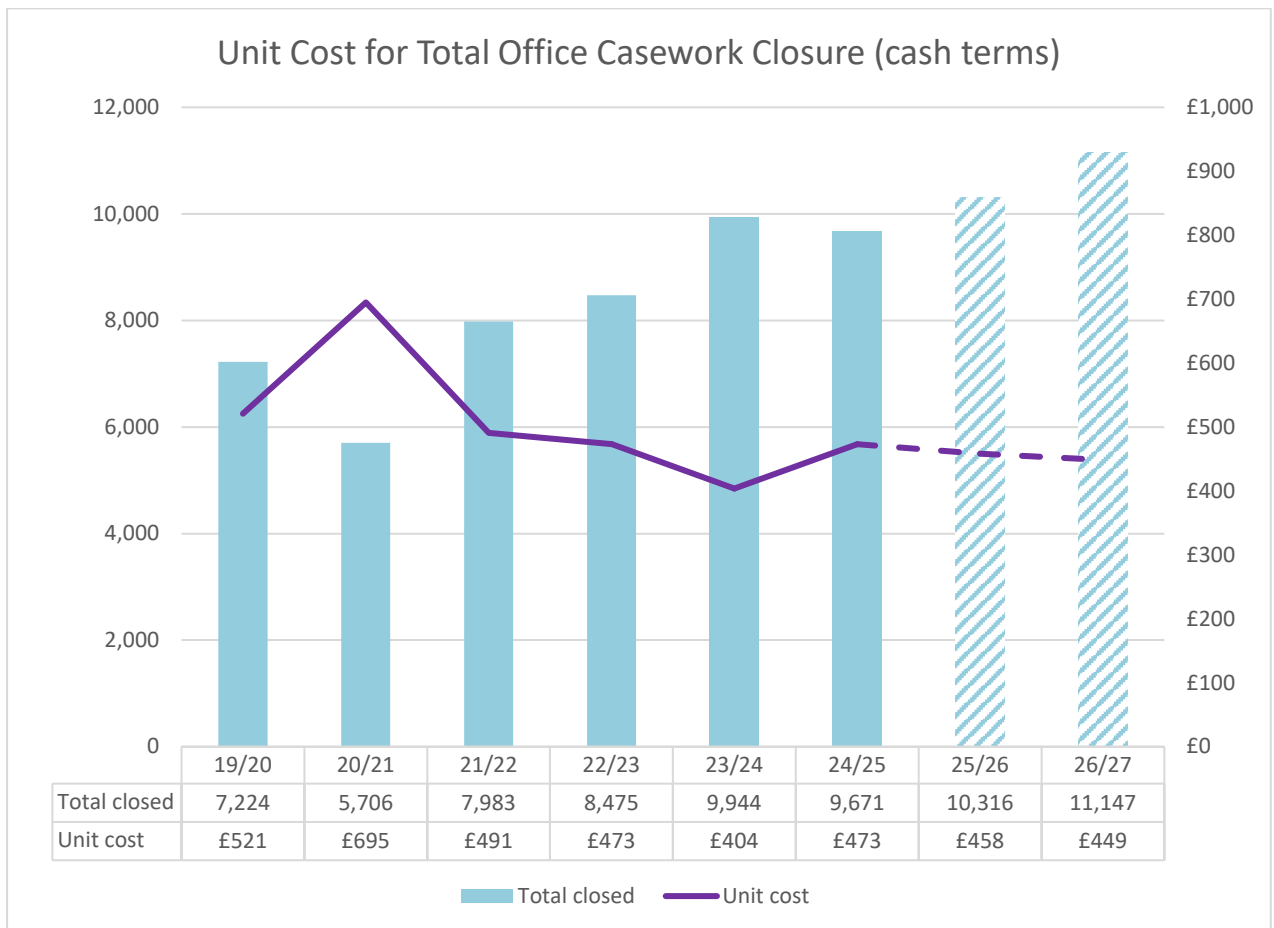




### Cash terms

The Finance Committee has previously requested unit cost figures expressed in cash terms. These are presented here for completeness. 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"> <li>The Finance Committee believes budget estimates should be transparent, prudent and reflect the financial constraints in the public sector.</li> </ul>	<ul style="list-style-type: none"> <li>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 productivity and cost efficiencies (section 6) and better access to our services for all.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>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 cost-saving efficiencies and volume efficiencies (section 6).</li> </ul>
<ul style="list-style-type: none"> <li>Requests should show how annual and multi-annual objectives will be prioritised, monitored and achieved.</li> </ul>	<ul style="list-style-type: none"> <li>The Estimate is intended to support the multi-year aims which will be set out in our new Strategic Plan 2026-2029. This sets out our proposed priorities. We will report annually, in our Annual Report &amp; Accounts, on progress in line with our revised Strategic Plan.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>No assumptions have been made about block grant changes. The Estimate reflects workload pressures (section 4), unavoidable cost pressures (section 5), productivity and cost efficiencies (section 6) and investment priorities (section 7).</li> </ul>
<ul style="list-style-type: none"> <li>Bodies should continually seek to improve processes and accrue efficiencies.</li> </ul>	<ul style="list-style-type: none"> <li>The Estimate shows (section 6) efficiencies made by completing more work since 2019/20, within the resources we have. The Estimate also shows specific efficiencies to be achieved in 2026/27.</li> </ul>
<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The Estimate and the Strategic Plan set out the drivers that influence budget needs, together with the investment sought.</li> <li>Section 9 shows the consequences of the Estimate not being supported.</li> </ul>