

Public Services Ombudsman for Wales

Estimate 2025/26

1. Introduction

- 1.1 This Estimate submission for 2025/26 has been prepared for consideration by the Senedd Finance Committee. The office's Annual Report & Accounts for 2023/24 provide details of activities and achievements in that year. The Estimate has been prepared in the context of the [Strategic Plan 2023–2026: A new chapter](#) which sets the direction of the office.

2. Executive Summary

- 2.1 Complaints and enquiries received by the Office last year increased 17%, contributing to a 37% increase in the 5 years since 2019. The upward trend has continued into the first 4 months of this year. The Office improved its efficiency over the year and closed 6% more cases, also reducing aged cases (those over 12 months) by 70%. The Office Rationalisation Project has now concluded, delivering annual efficiency savings of £105k. However, the continued increase in caseload, and the pressure that this places on the wellbeing of our staff, is hugely challenging.
- 2.2 This Estimate has been prepared within the context of complaints and enquiries continuing to increase, to reflect the resources needed to support the delivery of the Strategic Aims, set out in our Strategic Plan, whilst also being mindful of the challenges continuing to face public sector finances.
- 2.3 In summary, the Cash and Resource and requirements are £6,358k and £6,392k respectively. This is an overall cash increase of £122k, or 2.0%, as a result of efficiencies being used to offset some significant cost pressures
- 2.4 These pressures mainly arise from increased staff costs - £138k is required to meet the additional anticipated cost of the April 2025 pay award and contractual staff increments.
- 2.5 There are also inflationary pressures of £15k on our non-staff expenditure and £20k is required to meet the necessary costs of external IT support following re-tendering.
- 2.6 We have now successfully completed our project to reduce 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. These changes have been managed within existing resources and we expect them to lead to annual cash-saving efficiencies of £105k (in the form of reduced rent, VAT, business rates and service charges). The savings will be used to offset some of the cost pressures above, specifically the cost of contractual staff increments (£31k) and the costs of the new IT Support contract (£20k).

- 2.7 As indicated in previous reports to Finance Committee, the remaining savings will be retained to fund the costs of future investment in technology and service improvement, work which was deferred until these savings materialised. There is also an IFRS 16 accounting technical adjustment as a result of the new lease, but this will impact resource only.
- 2.8 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 and of the part-time staff secondment to the Ombudsman Association. We are therefore entirely dependent on funding from the Welsh budget, following the recommendations of the Senedd Finance Committee.
- 2.9 We are mindful of the significant pressure on public finances and the difficulties this presents in balancing the demand for public services and the funding available. We welcomed the Finance Committee's support last year for an additional caseworker and for a new data analyst post to help us get more from our data. These positions will make an important contribution to dealing with the increased workload.
- 2.10 Whilst we remain ambitious, we are phasing investment over the next few years to reflect the current limitations of public sector finances. Investment in technology and service improvement will be funded through savings from our property rationalisation, reducing the funding being requested from the Welsh Consolidated Fund.
- 2.11 In addition to the cash-releasing savings from our reduction in office space, 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 and the cost per case last year was the lowest reported by the Office.
- 2.12 The proposed budget ambit is shown in Appendix A.

3. 2024/25 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 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.

- 3.3 During 2023/24 we made good progress towards achieving the ambitious goals set out in the Strategic Plan. We saw a record increase in the number of people contacting us with complaints about public services and about the conduct of local councillors. We handled over 10,000 cases, closing more than we ever have done before. We reduced our aging cases, often those that are the most complex and challenging, by 70% by the end of the year. We also reduced the costs for each case and investigation, so the office was the most efficient it has ever been. Performance is set out in detail in the [Annual Report and Accounts 2023/24](#).
- 3.4 Caseload pressures continue to be a significant concern. We have made progress in reducing the number of public service complaints each investigator holds in their current caseload to a more manageable level. However, the increasing pressures of Code of Conduct work mean that each investigator of Code of Conduct complaints continues to hold an excessive number of live cases. 2023/24 was the office's best performance, and we have made substantial efficiencies in recent years, but the office is now operating at, or very close to, capacity.
- 3.5 We need to be mindful of the impact of growing numbers of complaints on staff health and wellbeing. Staff feedback continues to show increasing concerns about workload and reduced satisfaction with PSOW as a place to work. We are reviewing the measures we have in place to support staff and continue to provide a healthy working environment.
- 3.6 In the current year, we have so far received 20% more public service complaints than for the equivalent period last year. Although the numbers of enquiries are slightly down (perhaps as the result of investment in our new website which provides better information and guidance), as are code of conduct complaints, public service complaints account for the majority of our staff time, so the increase is concerning in terms of capacity and impact on staff.
- 3.7 In the current year, there remain three significant financial uncertainties:
- The April 2024 local government pay award, which applies to our staff under their contracts of employment, has not yet been settled. The initial PSOW Estimate for 2024/25 allowed 5% for the April 2024 pay award. There are suggestions that public sector pay awards for the NHS and teachers this year may be around 5.5%, and this may influence the outcome of local government pay negotiations. If the actual pay award is above 5%, we will work to contain the additional cost within the approved budget as far as possible but might need to submit a further Supplementary Budget.
 - The ongoing Code of Conduct case, where leave to appeal the decision of the Adjudication Panel for Wales in the High Court has been sought (by the former Councillor involved), remains current. Permission to appeal was refused by the High Court in April. However, the application has been renewed and this will be considered by the High Court in November. As previously advised to the

Committee, the outcome of this, and the potential legal costs if permission to appeal is granted, remain unknown.

- The Committee is aware of the independent review commissioned by the Ombudsman earlier in the year. The review is considering a number of Code of Conduct case assessment decisions and our processes for investigating Code of Conduct complaints. The Committee will be considering that report separately. Whilst it is expected that the cost of the review, during the current year, will be contained within existing budgets using savings from reduced office accommodation, we are uncertain of the level of additional resources that may be required to meet the costs of implementing any recommendations.

3.8 We were pleased that there were additional resources, provided in our 2024/25 budget, for one caseworker and a data analyst. Once our budget was formally approved, we made appointments to both roles. There will be a period of induction and training for both posts but by the end of the 2024/25 year we expect both posts to be making a difference. One post will help to manage ongoing increases in casework. The other post will start the work to gain greater insight from the data we hold and that we collect. That insight will help with our improvement work with public services and will inform the office's own initiative and thematic work.

3.9 As the Committee will recall, cyber security remains a significant and constant risk in our risk register. We continue to maintain a focus on this and have continued our work to move to cloud-hosted solutions. Following a review, we have identified the need to secure 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 in an incident. These are intended to reduce both the likelihood and the impact of any cyber security incident.

3.10 We have also completed our staff survey, which we undertake every two years. The survey results raise concerns, reported previously, about wellbeing and pressure on staff, and while the majority of our staff still consider that we are a good place to work, the proportion has decreased. These results provide an early indication of the impact on staff wellbeing arising from increased work pressures, and we are undertaking further research, with an independent researcher, to gather more detailed thoughts and views from staff to help our understanding of the results and identify any further actions we can take to address key issues.

4. Casework Pressures

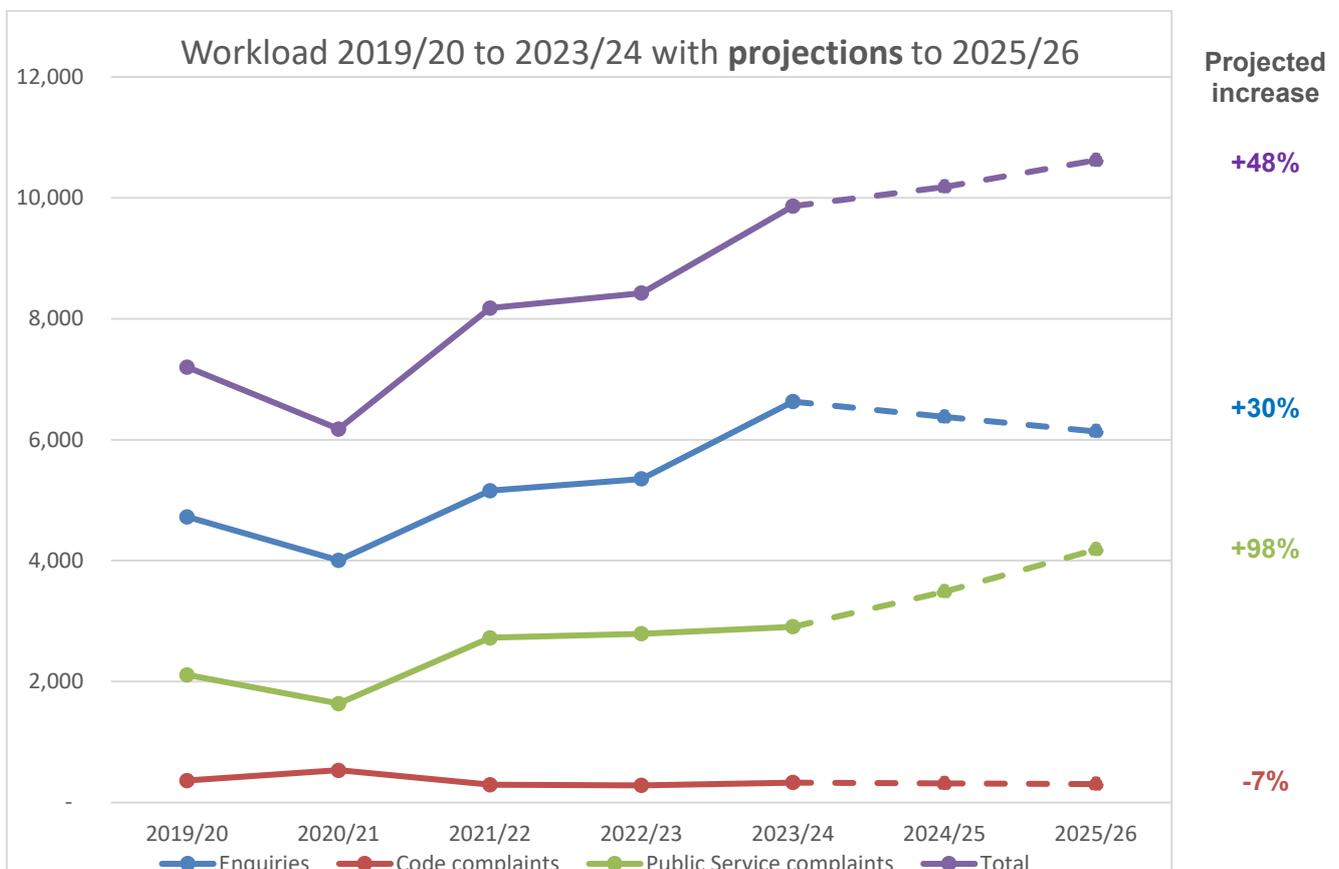
4.1 Last year (2023/24) we again received the highest ever number of public service complaints. This reflects pressures on public services, particularly health services, and increasing public concerns about those services. In the current year (April to June 2024) we have seen further increases in our overall workload, with a further substantial increase in the number of new public service complaints received.

4.2 For the 2025/26 Estimate we have based our projections on the actual number of new cases in the year to date, and applied those to the 2023/24 actual numbers. This is an average annual increase of 3% to 4% overall, but with a large increase in public service complaints only partially offset by small reductions in the numbers of enquiries and Code of Conduct complaints.

Year	Enquiries received	Code of conduct complaints received	Public Service complaints received	Totals
2019/20	4,726 (+2%)	365 (+29%)	2,109 (-4%)	7,200 (+1%)
2020/21	4,006 (-15%)	535 (+47%)	1,638 (-22%)	6,179 (-14%)
2021/22	5,158 (+29%)	294 (-45%)	2,726 (+66%)	8,178 (+32%)
2022/23	5,350 (+4%)	283 (-4%)	2,790 (+2%)	8,423 (+3%)
2023/24	6,630 (+24%)	328 (+16%)	2,905 (+4%)	9,863 (+17%)
2024/25 (projected)	6,378 (-4%)	316 (-4%)	3,486 (+20%)	10,180 (+3%)
2025/26 (projected)	6,136 (-4%)	304 (-4%)	4,183 (+20%)	10,623 (+4%)

Table 1: Workload 2019/20 to 2023/24 with projections to 2025/26

4.3 Graph 1 (below) shows past, current and projected numbers of enquiries and complaints.



Graph 1: Workload 2015/16 to 2023/24 with projections to 2025/26

- 4.4 The cumulative effect of ongoing annual increases is substantial. We seek to provide timely, empathetic and appropriate outcomes to complaints. However, these casework pressures reflect the very real concerns of residents of Wales and increasing caseloads risk delaying resolution and prolonging distress. Good progress has been made in the last year in reducing the percentage of public service complaints, currently being investigated, that have been with the Ombudsman for more than 12 months. This has reduced from 40% of cases to 10% of public service complaints. Further work is required to reduce the number of ageing Code of Conduct cases.
- 4.5 There is also a significant impact on our staff. Since public service complaints account for the majority of staff time, even a small percentage increase results in a significant number of additional work. The projected 98% increase in public service complaints from 2019/20 to 2025/26 (see Graph 1) is therefore particularly challenging. The actual increases in casework from 2019/20 to 2023/24 have been largely managed through efficiencies: from 2019/20 to 2023/24 we received 37% more public service complaints with only 9% more casework staff (4 members of staff). The scale of these efficiencies is significant, and the office is now operating at, or close to, capacity. Whilst no additional staff are proposed in 2025/26, continuing caseload pressures in future years cannot simply continue to be absorbed.
- 4.6 Our Strategic Plan 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 improve access to our services by those groups currently under-represented in our service users. We expect that this will result in more enquiries and complaints from these groups.
- 4.7 We remain committed to driving efficiency, embracing innovation and improving our performance. We continue to focus on staff wellbeing and complainant experience, but in the current public finance context, the Estimate for 2025/26 does not seek an increase in funding beyond contributions towards meeting anticipated pay and price increases. However, the scale of achievements in terms of efficiencies, handling more complaints, closing more cases and reducing the number of older cases, is such that the office is now operating at capacity.

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. We are committed to staff increments of £31k, but 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 Our Estimate submission assumes a 5% national local government pay award for April 2024. We also need to allow for the April 2025 pay award. We have included provision for a 3% pay award from April 2025. However, if the actual local government pay awards are higher than we have provided for, we may have further funding shortfall(s). We are seeking £107k to help us meet the cost of the national pay award and propose to fund contractual increments of £31k through the efficiency savings from property.

IT Support Contract

- 5.4 The current contract for our IT Support expires at the end of March 2025. We are therefore in the process of a full procurement exercise. We will seek tenders based largely on the existing specification and service levels. However, we are aware of increased cyber security requirements, and the fact that the risk of a cyber-attack has increased significantly since the procurement was last completed in 2020. Furthermore, re-tendered contracts are likely to be more costly than the expiring contracts, especially given the current economic climate of supplier price inflation. We will be allowing for an extra £20k to help us meet this, and this will be funded through the efficiency savings from property.

Price inflation

- 5.5 For the current year (2024/25) we anticipated 6.7% inflation based on the rate of CPI at August 2023. Whilst actual rates of inflation have consistently fallen since then, and these reduced rates are helpful, they still have 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.
- 5.6 For 2025/26, we have assessed the impact of inflationary increases on a line-by-line basis. Appendix B shows the incidence of these inflationary pressures. Whilst inflation for the year to date has been on average 3%, we have generally worked on the basis of the latest GDP deflator for June 2023 (2%) but have also included excess price increases in 2024/25 where applicable. Whilst we will continue to seek best value prices from suppliers, general inflationary pressures make price increases likely. We are seeking £15k to help us meet these costs of inflation.

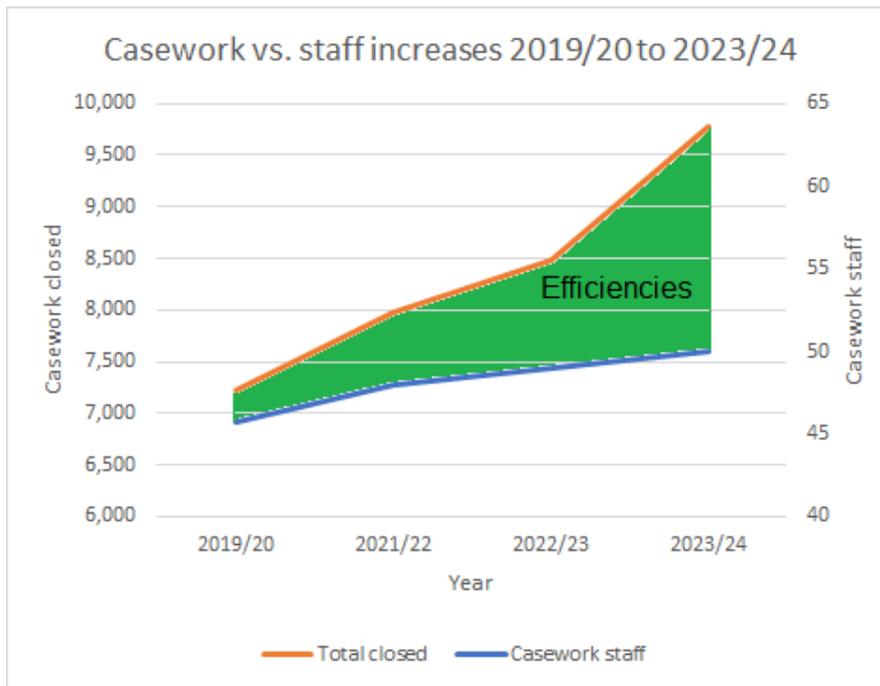
6. Efficiencies

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:
- Staff efficiencies through reorganisation and staff turnover
 - IT efficiencies following investment and reduced use of third-party suppliers
 - Procuring IT contracts through Government Commercial Frameworks rather than entering into agreements ourselves
 - 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 negotiated and signed a new lease, effective April 2024. We now only occupy the ground floor and this has resulted in a cash efficiency saving of £105k, being savings made in rent, VAT, service charge, utilities and rates.
- 6.3 We are mindful of the pressures on Welsh public finances and therefore propose to apply £51k (£31k for staff increments and £20k for increased costs of our IT Support contract) of these cash-saving property efficiencies to fund some of the cost pressures outlined above. This reduces our call on the Welsh Consolidated Fund to fund pay and price increases.

Volume efficiencies – achieved

- 6.4 Our actual enquiries and complaints caseload has already increased by 37% since 2019/20 as set out above (and an overall projected increase of 48% to 2025/26). There has not been a commensurate increase in staff numbers dealing with complaints and enquiries – we have had 4 more casework staff where a 37% increase in staff would equate to an increase of 17 to date (and of 22 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.



This diagram shows the number of cases we have **closed** each year and the number of casework staff between 2019/20 and 2023/24.

This shows the continued and growing gap between casework staff and the casework we are dealing with, and the efficiency (cost avoidance) savings we have made as a result.

Graph 2 – Closed casework vs. staff numbers

- 6.6 This green gap between increases in case closures and increases in staff numbers yields an estimated annual volume efficiency of around £750k. These efficiencies do not generate cash savings, but they reflect real efficiencies made.

Volume efficiencies – projected

- 6.7 Based on caseload projections for 2025/26, with no additional casework staff for 2025/26, our caseload implies an increase in staff numbers of 22 above 2019/20 levels. Over that period, only 4 additional casework posts have been established. The gap indicates an ongoing annual efficiency saving of £1.1m. Whilst we are not seeking funding for any additional staff for 2025/26, if the number of cases continue to increase, then we will certainly have to look at an increase to our casework staff numbers in future years.

7. Investment in Strategic Priorities

- 7.1 Our Strategic Plan sets out four strategic aims. Under the Plan we will be:
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.

- 7.2 These strategic aims are ambitious and define a new set of priorities for the office. However, 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. These pressures make the four strategic aims even more important.

- 7.3 We remain concerned that some groups across Wales are less likely to be aware of and use our services. These include some who may be particularly reliant on public services, and we are determined to increase our outreach and accessibility work to reach them. Our outreach and communications work, together with the factors set out earlier when discussing caseload pressure, mean that more will be expected of our service and our organisation. No additional investment has been included for increased outreach work as part of our Strategic Plan, so we will aim to do this by prioritising target groups within existing resources.
- 7.4 We were grateful that in last year's Estimate the Committee supported additional funding to meet the costs of re-tendering for our Case Management System. We made a number of enhancements to the system in 2023/24, such as work to improve dashboards (so staff and managers have a better understanding of current caseloads) and need to complete our enhancement programme through the development of a new portal. This will allow transmission of documents and communications to/from complainants and/or relevant bodies and advisers and was one of the key recommendations identified as part of our digital improvement work with Perago Wales. The cost of this work will be met from the existing service improvement and IT & Digital Strategy budget.
- 7.5 We remain committed to investment in our IT & Digital Strategy and will achieve this by using part of the property savings. As indicated in previous Estimate submissions, investment to improve efficiency was deferred until the property-related savings were achieved. Now that these savings have materialised, this will allow us to make investment in significant change without an additional call on funding from the Welsh Consolidated Fund. In 2025/26 to invest in use of technology to assist in our work, exploring the scope for automation of tasks and improving methods of communicating with complainants and potential complainants. As our Data Analyst becomes established in the role, we will develop and use data analysis tools to improve the insight and understanding we get from the data we collect.

8. 2025/26 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 Changes between the 2024/25 budget and 2025/26 Estimate are summarised below:

<i>All figures in £000</i>	Cash		Resource
2024/25 budget (after deducting £108k – see note)		6,236	6,250
3% pay award		+107	+107
2% non-pay inflation		+15	+15
<i>Property savings</i>	-105		
<i>Staff increments</i>	+31		
<i>Increased IT support costs</i>	+20		
<i>Investment in service improvement and IT & Digital Strategy</i>	+54		
Net	0	0	0
IFRS 16 changes		-	+20
2025/26 budget		6,358	6,392

Note: The Finance Committee requested that the unused pay award contingency amount from 2023/24 (£108k), was removed from the base budget. This will be done for 2024/25 in the 2nd Supplementary Budget. This amount has therefore been removed from the baseline.

Table 2: Changes between the 2024/25 budget and the 2025/26 Estimate

8.3 The Estimate for 2025/26 is shown in more detail in Appendix B and is prepared on an IFRS 16 basis. Unit costs are included in Appendix C.

8.4 Further detail, together with 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 2025/26.

8.5 The estimate:

- Includes 5% estimated pay award for April 2024 and 3% estimated pay award from April 2025.
- 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.
- Reflects cash-saving efficiencies of £105k from our property review which will be used to meet the costs of staff increments (£31k) and to meet the expected increased costs of our IT Support contract following re-tendering (£20k).
- Includes no funding request for additional staff, despite the volume of work being dealt with by the office being the highest it has ever been.

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. The costs of investment in service improvement and in the delivery of our IT & Digital Strategy are to be met from the balance of property savings.

Consequences of Estimate not being approved

Impact on staff

- 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 2 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, our staff are already experiencing significant pressure and increasing the pressures on staff would have 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 lost time through stress will increase.

Impact on service users

- 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 and less detailed consideration of some complaints. This in turn would have an adverse effect on complainants, adding to their concerns. Particularly in health complaints, our involvement tends to come at the end of what can be a long complaints journey. A reduced level of service would be a cause of real concern and would increase the distress of complainants.
- 9.6 Going forward we want to continue to assess complaints on their merit and carefully decide whether it is proportionate to fully investigate any complaint. We want to take a proportionate approach and devote our resources to ensure that we remedy injustice in serious cases and where systemic failings may impact on groups of individuals. If the estimate is not approved, these aims will no longer be achievable.
- 9.7 We are already taking a proportionate approach to our casework, investigating only the most serious health cases and cases where our investigations can achieve something further. If the Estimate is not approved, this would reduce the scope to

achieve more representative coverage of the range of public services, to make our service more accessible and to provide greater focus on areas such as housing and social care. The opportunities for identifying improvements in public services would also reduce.

- 9.8 Considering only the most serious complaints would also run counter to our efforts, and the legislative decisions of the Senedd, to make the Ombudsman's services more accessible, for example through acceptance of oral complaints. In many cases, it is only when we start to investigate a single complaint, that might not appear very serious, that we identify systemic issues that could have very serious consequences for others. The feedback we receive makes us acutely aware of the impact of our work on members of the public. We do not wish to deny complainants the opportunity to have genuine concerns investigated.

Impact on technology and organisational efficiency

- 9.9 There is limited scope to cut our non-staff costs – most non-staff budgets are fixed or semi-fixed, with only small savings possible from, for example, a fall in the number of software licence users in the event of reductions in staff numbers.
- 9.10 The estimate anticipates and includes an additional sum (£20k) to cover the estimated increase in IT support costs when the contract is re-tendered, ready to commence on 1 April 2025. The current contract commenced in 2021 and the complexity and scale of this support has increased since then, as have market rates for such support. Strong external IT support is a vital part of maintaining efficient, effective and secure systems and in acting promptly and professionally to address any security or performance issues.
- 9.11 Our work is entirely reliant on technology. We have achieved Cyber Essentials Plus accreditation, and it is vital that we are able to keep our systems and software up to date. This inevitably has a cost, but the consequences of not keeping our systems as secure as possible are potentially huge in terms of the risks of sensitive personal data disclosure, inability to provide a service and the costs of recovering from a cyber incident.

Appendix A – Budget Ambit - Public Services Ombudsman for Wales

This Estimate submission has been completed consistently with Standing Orders 18A and 20.23 of the Welsh Parliament dated June 2024.

Ambit	Resources (£000)	Accruing Resources (£000)
Public Services Ombudsman for Wales	6,392	27

<u>Services and Purposes</u>	<u>£000</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.	6,392

<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.
Overall amount of Income (£000)	27

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

Net Resource Requirement	6,387 *
Net Capital Requirement	5 *
Adjustments:	
Capital Charges	(157)
Impairments	-
Movements in Provisions	-
Profit/Loss on sale of assets	-
Movements in stocks	-
Movements in debtors/creditors	20
Use of Provisions	-
Other	103
Net Cash Requirement for issue from the Welsh Consolidated Fund	6,358

* £6,387k + £5k capital = £6,392k Total Resource Expenditure in Appendix B.

Appendix B – Estimate 2025/26

	2024/25	2025/26			
All figures in £000s	Budget 2024/25	Pressures / Inflation 2025/26	Investment in Strategic Priorities	Efficiencies	Estimate
Staff salaries and related costs (note 1)	4,972 *	+107 +31			5,110
Premises and facilities (note 2)	216	+51		(105)	162
Professional fees (note 3)	263	+4			267
IT costs (note 4)	327	+4 +20			351
Investment in service improvement and IT & Digital Strategy (note 5)	50	+1	+54		105
Office costs (note 6)	102	+3			105
Travel, training and recruitment (note 7)	42	+1			43
Communications (note 8)	68	+2			70
Total Revenue Expenditure	6,040	+224	+54	(105)	6,213
Total Income (note 9)	(27)				(27)
Net Revenue Expenditure	6,013	+224	+54	(105)	6,186
Capital Expenditure – DEL (note 10)	5				5
Total Resources Required	6,018	+224	+54	(105)	6,191
Depreciation and amortisation	70				70
Depreciation – leased assets	155			(68)	87
Interest charge – leased assets	7	+37			44
Capital AME – dilapidations	-				-
Total Resource Expenditure	6,250	+261	+54	(173)	6,392
Depreciation and amortisation	(70)				(70)
Depreciation – leased assets (note 11)	(155)	+68			(87)
Interest charge – leased assets (note 11)	(7)			(37)	(44)
Capital AME – dilapidations	-				-
Change in working capital (note 11)	198			(51)	147
Other non-cash movements	20				20
Cash Requirement from WCF	6,236	+329	+54	(261)	6,358

* The Finance Committee requested last year that we return the unused pay award contingency amount from 2023/24 (£108k), and this will be done for 2024/25 in the 2nd Supplementary Budget. This amount has therefore also been removed from the baseline budget.

Notes

1. Salaries and Related Costs

Under our employment contracts, staff salaries are increased annually in accordance with Local Government NJC pay negotiations. The 2024/25 budget figure includes a provision for a 5% pay award. For 2025/26 the table shows pressures of £107k (estimated 3% pay award from April 2025).

Note that pay awards for April 2024 and April 2025 are not yet settled so figures are estimates. 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.

The cost of staff increments (£31k) will be met through the use of our property savings.

2. Premises

This major item of expenditure is the lease and running costs of our premises at Bocam Park. Since our last Estimate submission, we have successfully negotiated and signed a new lease, effective April 2024. We now occupy only the ground floor and this has resulted in a cash efficiency saving of £105k, from reductions in rent, service charge, utilities and rates.

Additional resource expenditure is required as a result of the IFRS 16 implications of the new lease (in line with HM Treasury guidance, +£51k), though this has no effect on cash.

3. Professional Fees

Inflationary pressures have increased the costs of professional fees by (+£4k).

4. IT - Computer Systems and IT Support

We have a number of contractually committed IT contract price increases. In 2023/24 we allowed for a 2% inflationary increase, but actual increases for the year are higher (+£4k).

The additional costs following re-tendering for our IT Support contract (+£20k) will be met through the use of our property savings.

5. Investment in service improvement and IT & Digital Strategy

We will be investing the balance of savings from our property rationalisation project (after funding increments and the increase in annual IT support costs) (£54k) 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.

6. Office Costs

Office costs are subject to inflationary cost pressures of £3k.

7. Travel, Training and Recruitment

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

8. Communications

Communications costs are subject to inflationary cost pressures of £2k. We will continue to use low and no-cost options for communications and providing information about our services.

9. Income

The Estimate includes ongoing income from a staff secondment to the Ombudsman Association and for the provision of payroll services to the Future Generations Commissioner. (The staff secondment to the Senedd Commission, included in our 1st Supplementary Budget, ends in December 2024 so does not affect 2025/26.)

10. Capital

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

11. 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.

The change is as a result of the new lease signed in April 2024. The depreciation charge has reduced as there is now a longer 10-year lease period over which the asset will depreciate, whilst the interest charge has increased as HM Treasury guidance states that new leases signed in 2024 are subject to a discount rate of 4.72%, compared with the previous discount rate of 0.95% under the old lease arrangement.

Appendix C – Unit costs

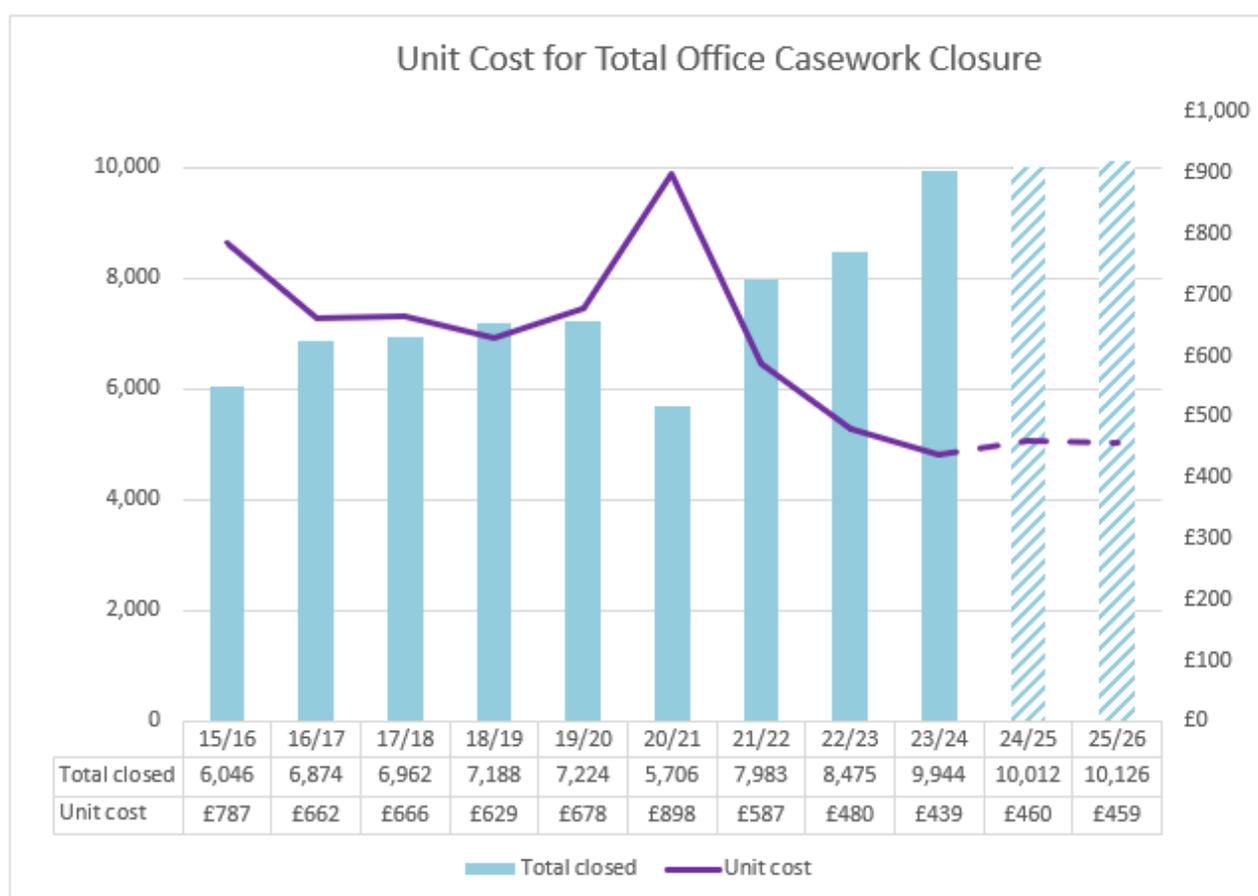
We continue to present unit costs calculated for our main activity – receiving, considering, investigating and responding to enquiries and complaints. This is our activity under Strategic Aim 1, and we use the audited figures for Operating Costs by Strategic Aim, presented within the accounts. Based on our 2023/24 Accounts, Strategic Aim 1 accounts for around 75% 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.

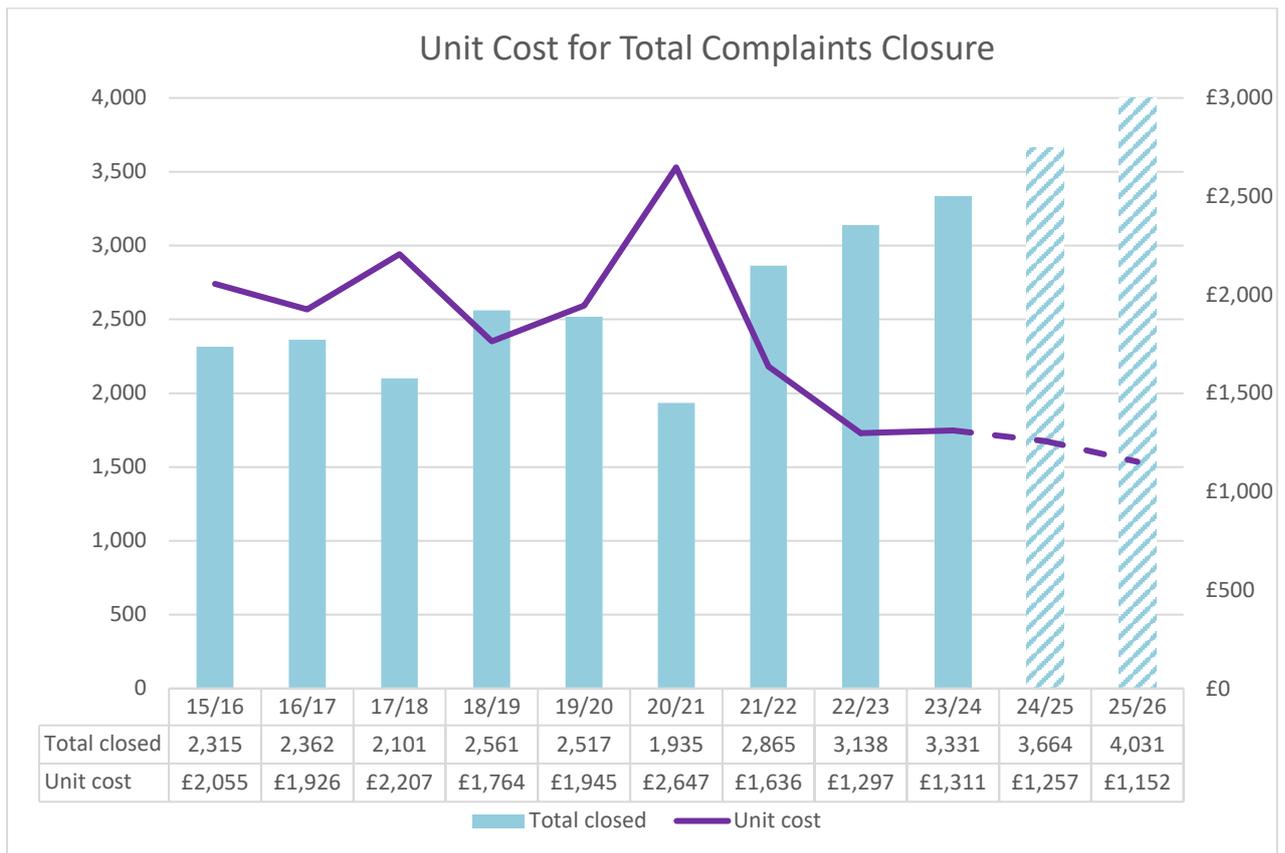
The graphs below show firstly unit cost for the full enquiry **and** complaints work **completed** (closed) in the year and secondly for complaints cases only, **completed** (closed) in the year. Projections for the current year and next year are included for completeness. As indicated in 6.5 above, 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 2015/16 to 2023/24. For 2024/25 we have used CPI inflation as of July 2024, and for 2025/26 we have assumed inflation will be 2%.

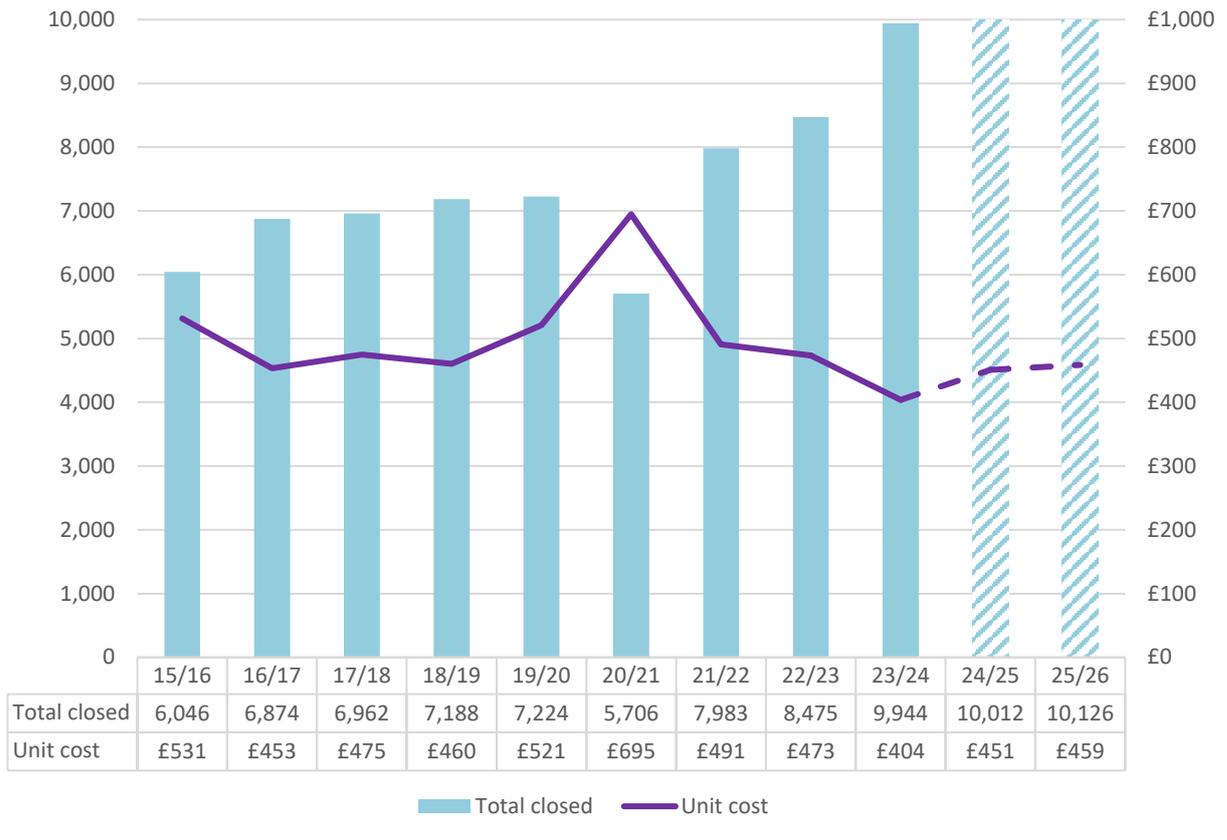




Cash terms

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.

Unit Cost for Total Office Casework Closure



Unit Cost for Total Complaints Closure



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"> The Finance Committee believes budget estimates should be transparent, prudent and reflect the financial constraints in the public sector. 	<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 (property savings and volume efficiencies – section 6).
<ul style="list-style-type: none"> Requests should show how annual and multi-annual objectives will be prioritised, monitored and achieved. 	<ul style="list-style-type: none"> The Estimate is intended to support the multi-year aims set out in the Strategic Plan 2023-2026. This sets out our proposed priorities. We will report annually, in our Annual Report & Accounts, on progress in line with our revised Strategic Plan.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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).
<ul style="list-style-type: none"> Bodies should continually seek to improve processes and accrue efficiencies. 	<ul style="list-style-type: none"> The Estimate shows (section 6) efficiencies by completing more work since 2019/20 within the resources we have. The Estimate also shows specific efficiencies to be achieved in 2025/26.
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> The Estimate and the Strategic Plan set out the drivers that influence budget needs, together with the investment sought. Section 9 shows the consequences of the Estimate not being supported.