

Public Services Ombudsman for Wales

Supplementary Budget 2019-20

Explanatory Memorandum to the Chair of the Finance Committee

Background

The Estimate for 2019/20 was scrutinised by Finance Committee in November 2018 and included in the Annual Budget Motion in December 2018.

Included within the Estimate submission were references to the requirement to submit a Supplementary Budget in respect of:

- Costs associated with the new PSOW Bill that reflect those detailed in the Explanatory Memorandum. These have been uplifted to reflect current pay and prices as per Conclusion 1 of the Finance Committee Scrutiny of the Public Services Ombudsman for Wales's Estimate for 2019-2020 published in November 2018.
- Additional employer pension costs in respect of National increases to the employer contribution rates for public sector pensions.

The additional cost of these two items are included in Annex A of this note.

Employer Pension Increase from 1 April 2019

The UK Government announced plans last year to introduce further changes to public service pension schemes from April 2019. These changes will result in increased employer pension contributions from April 2019 for which the UK Government set aside £4.7bn in the autumn Budget to help public sector organisations meet these costs in 2019-20.

It has been confirmed that the Welsh Government will provide additional funding to public sector organisations in 2019-20 to enable them to fully meet the additional costs associated with these pension changes.

Employer Pensions Notice 567, posted on 9 February 2019, provides information on the changes in employer contribution rates from 1 April 2019.

| Band | 2018-19 | 2019-20 | Change |
|-----------------------------|---------|---------|--------|
| Band 1 (£23,000 and under) | 20.0% | 26.6% | 6.6% |
| Band 2 (£23,001 to £45,500) | 20.9% | 27.1% | 6.2% |
| Band 3 (£45,501 to £77,000) | 22.1% | 27.9% | 5.8% |
| Band 4 (£77,001+) | 24.5% | 30.3% | 5.8% |

Pension Increase Effect on PSOW

PSOW employs 67 staff of whom 65 are members of the Civil Service Pension Scheme. The pay budget for 2019-20 is £2,514,000 and the impact of the pension increase is an additional 5.9% growth in employer contributions amounting to £148,000, payable to Civil Service Pensions from 1 April 2019 onwards. The costs are included in the Supplementary Budget at Annex A.

New PSOW Bill

The National Assembly for Wales approved the Public Services Ombudsman (Wales) Bill with a vote at the Senedd on Wednesday, 20 March 2019. It is the first Bill to be passed which was introduced by an Assembly committee.

Original costs detailed in the 2017 explanatory memorandum included additional staff, professional advice, IT and office costs as well as one-off set up costs including IT and office equipment as well as staff recruitment. These amount to £340k and are detailed in the table below.

| | Pay | Advisor Fees | Travel Training | Office / IT | One off Costs | Total |
|----------------------|------------|--------------|-----------------|-------------|---------------|------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Oral complaints | 35 | 0 | 1 | 5 | 5 | 46 |
| Own Investigation | 115 | 10 | 2 | 10 | 10 | 147 |
| Complaints standards | 115 | 10 | 2 | 10 | 10 | 147 |
| Total | 265 | 20 | 5 | 25 | 25 | 340 |

It was agreed that when the Bill was approved the costs should be updated to current prices - CPI inflation, pay awards and the employer pension increase. The full year cost is £359k.

| | Pay | Advisor Fees | Travel Training | Office / IT | One off Costs | Total |
|----------------------|------------|--------------|-----------------|-------------|---------------|------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Oral complaints | 36 | 0 | 1 | 5 | 5 | 47 |
| Own Investigation | 121 | 11 | 2 | 11 | 11 | 156 |
| Complaints standards | 121 | 11 | 2 | 11 | 11 | 156 |
| Total | 278 | 22 | 5 | 27 | 27 | 359 |

It is anticipated that following Royal Assent the commencement date will be July 2019, resulting in part-year recurring costs of £224k plus one-off costs of £27k amounting to £251k – as shown below.

| | Pay | Advisor Fees | Travel Training | Office / IT | One off Costs | Total |
|----------------------|------------|--------------|-----------------|-------------|---------------|------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Oral complaints | 24 | 0 | 1 | 3 | 5 | 33 |
| Own Investigation | 81 | 8 | 1 | 8 | 11 | 109 |
| Complaints standards | 81 | 8 | 1 | 8 | 11 | 109 |
| Total | 186 | 16 | 3 | 19 | 27 | 251 |

These part-year recurring costs and one-off set up costs are included in the Supplementary Budget at Annex A.

Annex A

Public Services Ombudsman for Wales

| Supplementary Budget 2019/20 | Budget 2019/20 | Pension Costs | New PSOW Bill | | Total Revised Budget |
|-------------------------------------|-------------------|------------------|--------------------------|-----------|-------------------------|
| | | | Recurring (Part Year) | One-off | |
| | £000 | £000 | £000 | £000 | £000 |
| A. Capital DEL | 22 | 0 | 0 | 5 | 27 |
| B. Fiscal Revenue DEL | | | | | |
| Staff costs | 3,385 | 148 | 186 | 0 | 3,719 |
| Training and recruitment | 55 | 0 | 0 | 20 | 75 |
| Advisory and legal fees | 260 | 0 | 16 | 0 | 276 |
| Communications | 45 | 0 | 0 | 0 | 45 |
| Travel and subsistence | 35 | 0 | 3 | 0 | 38 |
| Office costs | 120 | 0 | 19 | 1 | 140 |
| IT | 180 | 0 | 0 | 1 | 181 |
| Premises | 380 | 0 | 0 | 0 | 380 |
| Sub total | 4,460 | 148 | 224 | 22 | 4,854 |
| Income | -17 | 0 | 0 | 0 | -17 |
| Total Fiscal Revenue DEL | 4,443 | 148 | 224 | 22 | 4,837 |
| C. Non-cash DEL | | | | | |
| Depreciation | 70 | 0 | 0 | 0 | 70 |
| Revenue DEL (B+C) | 4,513 | 148 | 224 | 22 | 4,907 |
| Total DEL (A+B+C) | 4,535 | 148 | 224 | 27 | 4,934 |
| Annually Managed Expenditure | | | | | |
| Movement on LGPS | 0 | 0 | 0 | 0 | 0 |
| Provisions movement | 20 | 0 | 0 | 0 | 20 |
| Total AME | 20 | 0 | 0 | 0 | 20 |
| | | | | | |
| Total Managed Expenditure | 4,555 | 148 | 224 | 27 | 4,954 |
| Resources Required | 4,555 | 148 | 224 | 27 | 4,954 |
| Depreciation | -70 | 0 | 0 | 0 | -70 |
| Change in Provisions | -20 | 0 | 0 | 0 | -20 |
| Movements in Working Capital | 20 | 0 | 0 | 0 | 20 |
| Net Cash Requirement | 4,485 | 148 | 224 | 27 | 4,884 |