



Comisiynydd y
Gymraeg
Welsh Language
Commissioner

Estimate for the financial year 2022-23



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Background

The principal aim of the Welsh Language Commissioner, an independent organisation established in accordance with the Welsh Language Measure (Wales) 2011, is to promote and facilitate the use of the Welsh language. This entails raising awareness of the official status of the Welsh language in Wales and imposing standards on organisations. This, in turn, will lead to the establishment of rights for Welsh speakers.

Two principles will underpin the work:

- In Wales, the Welsh language should be treated no less favourably than the English language
- Persons in Wales should be able to live their lives through the medium of the Welsh language if they choose to do so.

Contact Details:

- Tel: 0345 6033 221
- E-mail: post@welshlanguagecommissioner.wales
- Website: welshlanguagecommissioner.wales

Aled Roberts

Welsh Language Commissioner

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Welsh Language Commissioner
Market Chambers
5-7 St Mary Street
Cardiff CF10 1AT

Contents

1	Foreword	1
2	The Estimate's plans	2
3	Financial estimate and commentary	4
4	Depreciation	8
5	Investment on Capital	9
6	Cash requirements	10

1 Foreword

- 1.1 This Estimate has been prepared in accordance with statutory requirements in order to secure sufficient resources to deliver the Welsh Language Commissioner's work programme in 2022-23.
- 1.2 The Commissioner's vision is of a Wales where people can use the Welsh language in their daily lives. The Commissioner's vision, objectives and priorities for the period 2018 to 2021 are set out in the Commissioner's Strategic Plan. A new Strategic Plan will be in place for the period from 01/04/2022 onwards.
- 1.3 In December 2020, there was a serious cyber attack on the organisation's information technology infrastructure and systems. The period since December 2020 has been extremely challenging for the organisation as we responded to the aftermath of the attack and at the same time continued to exercise our functions and offer services to the public.
- 1.4 The experience of the attack has been difficult, but the organisation was in the process of implementing its IT strategy at the time. The attack has provided an opportunity to realise the strategy, but we note that additional pressures responding to the attack has had an impact on our ability to keep to our original plan and timetable. This means that some of our funding plans have moved to 2022-23.
- 1.5 What has become more apparent over the year is the focus on cyber security, not only due to the attack, but also from advice, guidance and initiatives from the Welsh Government and other agencies such as the NSCS. This has raised the organisation's awareness and appetite to ensure suitable and ongoing level of security.
- 1.6 This Estimate has been prepared on the basis of the principles set out in the Welsh Government document on Aligning the Consolidated Budgeting Procedures for central government bodies. However, my officers are continuing to discuss the plans with Government and I have concerns about the impact of the alignment on my independence as a regulator following changes to arrangements for reserves.
- 1.7 This Estimate is based on the organisation having the resources to implement the Commissioner's statutory duties and strategic plan and based on our best intentions at the end of October 2021.

2 The Estimate's plans

- 2.1 This Estimate sets out the Welsh Language Commissioner's funding requirements for 2022-23. The plan assumes that the Commissioner will continue to operate at the same level as in recent years. This plan seeks the minimum funding required to deliver the organisation's strategy, priorities, and fundamental duties.
- 2.2 The budgeting requirements are set out in the table below. Further details of expenditure are detailed in sections 3 to 6 of this document.

		Budget 2021-22 £000	Estimate 2022-23 £000	Increase £000
Budget : Revenue	Section 3	3,207	3,319	112
Budget : non cash amounts (depreciation)	Section 4	116	120	4
Budget ; Capital	Section 5	138	154	16
Cash Requirements	Section 6		3,472	

- 2.3 These funding requirements are essential to ensure that the Commissioner has adequate resources to carry out his statutory duties and strategic plan such as:
- dealing with complaints in accordance with the requirements of the Measure;
 - intervening in court proceedings or judicial reviews;
 - ability to work with organisations to ensure compliance and share good practice;
 - influencing policy; and
 - realising the vision to promote the Welsh language and create opportunities to increase usage.
- 2.4 The general planning assumptions are summarised in paragraphs 2.5 to 2.18 below.

Employment

- 2.5 Although the Commissioner has the right to employ 47 full time equivalent members of staff, as noted in previous years, funding cuts have forced difficult decisions not to fill all posts when officers have left, or changed their working hours. The plan assumes that the organisation will employ 42.5 full time equivalent members of staff (excluding the Commissioner).
- 2.6 The 2021-22 pay settlement being for a period of a year has been reflected, and the plan assumes a settlement in 2022-23 at a level consistent with that paid in the 2021-22 financial year. The effect of this is to increase the organisation's employment costs by £50,000.
- 2.7 Pension thresholds and rates have been kept at the level payable for 2021-22, on the basis that no official information has been published to assume a change in rates.
- 2.8 National insurance thresholds have been kept at the same level as payable for 2021-22, on the basis that no official information has been published to assume a change. The rate payable by the employer has been uplifted to reflect the 1.25% increase for Social Care costs; the effect of this is to increase the organisation's employment costs by £24,000.

- 2.9 We have planned on the basis that any fixed term post or secondment will terminate at the end of the contracted periods.

Core Administration Costs

- 2.10 These costs have been reviewed in detail and where savings can be made, those savings have been reflected. Note the main assumptions below, further details are contained in paragraphs 3.09 to 3.26.
- 2.11 The effect of implementing IFRS 16 Leases from 01/04/2022 has been incorporated. The accounting standard requires that the lease be treated as a right of use asset and a financial commitment. Depreciation of the asset and interest on the liability is charged to the income and expenditure account during the year.
- 2.12 Following advice from civil servants in the Welsh Government's finance department, on the impact of budgetary alignment for central government bodies, adequate funding for legal costs has been included. This is because it is no longer possible to maintain a reserve for this purpose under the new regime. We remain of the view that there is an argument of principle and constitution in favour of allowing the Commissioner to maintain a reserve for the purposes of legal costs; but for the purposes of this estimate we have incorporated the impact of the budget alignment.
- 2.13 The impact of the investment program on the information technology infrastructure and environment has led to savings in the running costs of services. This is a positive sign that we are meeting the Government's goal of achieving long-term savings from investing capital resources in our systems and infrastructure.
- 2.14 Expenditure on travel and subsistence was low in 2020-21, but with the public health position of Covid-19 returning to some level of normality, travel and subsistence costs will increase in 2022-23. However, the assumption is that the experience of Covid-19 and the capability of the new technology will lead to a reduction in travel requirements of around 60% compared to the pre-Covid-19 period.

Depreciation

- 2.15 The cost of depreciation is based on medium term investment plans. The assumption is to complete the investment in transforming the organisation's IT infrastructure and services. An element of the program is being implemented in 2021-22 with some requirements planned during 2022-23. This will have capital funding requirements.

Programmes

- 2.16 The total projects proposed in the estimate are limited to those of a similar nature to projects undertaken in 2021-22.

IT Investment Project

- 2.17 The plan is based on the completion of the IT strategy, to build suitable systems for re-establishing IT services supporting the organisation's operations. These requirements are essential in light of the cyber attack, but the organisation's ability to complete the project to the original schedule has been impacted by the attack and consequential additional requirements.
- 2.18 The capital investment requirements are set out in section 5

3 Financial estimate and commentary

- 3.1 Details of the Welsh Language Commissioner's expenditure for the financial years up to 2023-24 are presented below. In order to fund the activities that are vital to the organisation's strategy, priorities and effective operation, revenue funding of £3,319,000 is being sought. See section 4 for non-cash amounts (depreciation), and section 5 for capital financing requirements.

	Expenditure 2020-21 £000	Budget 2021-22 £000	Forecast 2021-22 £000	Estimate 2022-23 £000	Plan 2023-24 £000
Salaries	2,412	2,445	2,481	2,564	2,618
<i>Office Rent</i>	119	119	119	-	-
<i>Office running costs</i>	118	139	139	140	141
<i>Legal Advice and representation</i>	124	132	91	120	140
<i>Other professional costs</i>	70	76	83	74	74
<i>Information technology</i>	158	107	113	95	94
<i>Services and administration costs</i>	36	29	29	32	31
<i>Recruitment, learning and development</i>	23	35	35	41	39
<i>Travel and subsistence</i>	2	11	11	33	33
Core Administration Costs	650	648	620	535	552
Depreciation and interest on office leases (IFRS16)	-	-	-	122	111
Programmes	58	84	82	98	84
NET REVENUE BUDGET	3,120	3,177	3,183	3,319	3,365

- 3.2 The impact of the most influential factors on the Commissioner's expenditure are considered below:

Salaries

- 3.3 The current structure of the organisation includes 47 posts, as agreed by Welsh Ministers, and is a structure suitable to respond to the Commissioner's functions in accordance with the Welsh Language (Wales) Measure 2011.
- 3.4 The Commissioner's staff are paid in accordance with Welsh Government terms and conditions, and the estimate has been prepared on the basis that this continues.
- 3.5 After 3 years of budget cuts up until 2016-17 followed by 3 years of stable budgets to the year up to and including 2018-19, there was a reduction in the number of staff that it was affordable for the organisation to employ.
- 3.6 A revenue budget of £3,207,000 for 2021-22 was received at a level consistent with the previous year. The recent Welsh Government pay settlement was for one year to 31/03/2022, and the impact on the organisation was an increase to employment costs of around £50,000. No additional budget was allocated for the pay settlement, these costs have had to be absorbed within the allocated budget. Following the announcement by the Chancellor of the Exchequer, it is assumed that the pay settlement for subsequent years will be conservative and consistent with the pay settlement for 2021-22. To fund the pay settlement additional funding of £50,000 is required for 2022-23.
- 3.7 There has been an announcement in recent months by the UK Government that there would be an increase in national insurance rates to fund social care costs. The additional 1.25% to contribution rates will increase employment costs by £24,000 a year, and the estimate includes a requirement for additional funding.
- 3.8 If additional funding is not available, and with employment costs representing 77% of the organisation's revenue expenditure, it will be inevitable that a decision not to fill the equivalent of two full time officer level posts would have to be made in order not to overspend.

Offices

- 3.9 For 2022-23, accounting standards change the treatment of office leases so that the rent is not treated as an operating expense. Instead, the value of the lease is depreciated over the period economic benefit is derived from the lease. The change to the accounting standard has the effect of increasing costs by £4,000 for the year.
- 3.10 Other costs of running the offices include contractual obligations such as landlord services, non-domestic rates and office facilities services. The annual costs and lease periods by office are summarised below:

	Cardiff	Caernarfon	Carmarthen	Ruthin
	£000	£000	£000	£000
Rent	70	32	12	5
Landlord Services	23	16	4	0
Other costs	53	32	8	3
Total	146	80	24	8
Comments	lease break 20/12/2023	lease ends 23/03/2028	lease ends 05/09/2023	notice period 6 months

- 3.11 The lockdown due to Covid-19 has brought about a change in working practices, with staff working from their homes over the past eighteen months. In line with Welsh

Government advice, there is an expectation that this pattern will continue, although plans are being developed to enable staff to return to the offices.

- 3.12 The Covid-19 experience, staff aspirations and business requirements of the organisation are expected to lead to more flexible working patterns in the future. The investment in technology and alternative ways of working is likely to allow an element of flexible working from offices, homes or other locations. The effect of this is that the requirements of the organisation for office space will be very different from the current provision of the organisation.
- 3.13 Because there is no legal right to surrender the leases earlier than the periods set out above, without penalty charges; no change is planned for 2022-23 expenditure. Consideration of these requirements over the next two years will be crucial, as the lease periods come to an end. The Commissioner would welcome any financial or practical assistance from the Welsh Government in surrendering or letting the leases.

Information Technology

- 3.14 The Commissioner developed an IT strategy with a vision of technological transformation focusing on how the organisation would effectively achieve its business objectives and improve the way the public and stakeholders interact with the organisation. As well as changing working methods, delivering the IT strategy will result in an IT environment which is cheaper to maintain.
- 3.15 The Commissioner received £277,000 capital funding from the Welsh Government to transform IT and modernise its infrastructure, equipment, and user software during 2020-21. In addition, capital funding of £138,000 has been allocated for 2021-22.
- 3.16 In December 2020 there was a serious cyber attack on the entire IT environment, systems and services of the organisation. In response to the attack a new infrastructure and environment was created anew, consistent with the IT Strategy. Work has been ongoing over the last 10 months and core IT infrastructure and services have been established.
- 3.17 As a result of the change to the infrastructure, environment and services, significant savings to the running costs of the organisation's IT services have been identified and implemented, through termination of contracts and negotiation of new contracts. This plan assumes the cost of running the organisation's IT services for 2022-23 will be £95,000. This represents a saving of around £60,000, which is a saving of 40% compared to previous costs of the services.
- 3.18 It is important to note that many of the organisation's core resources (systems) were lost as a result of the attack. These included the following systems:
- Website
 - Corporate Payroll and Accounting systems
 - Information Management System (SGwNI)
 - Place Names Repository
- 3.19 While a new website has been built and new corporate systems are in place, the establishment of services for Information and Case Management and the Place Names Repository remains to be implemented. Further information in relation to the funding requirements of these systems is detailed in section 5.

Legal and professional

- 3.20 Costs on legal advice and representation can vary considerably and it is difficult to fully predict the circumstances for which advice or representation is needed. There have been some years where expenditure has been low, but the actual spend for 2020-21 was £124,000 and the forecast spend for 2021-22 predicts expenditure of circa £91,000 by the end of the year.
- 3.21 As noted above in paragraph 2.12, due to the budgetary alignment of central government bodies, it is not possible to retain reserves for the purposes of contingent cost for cases that may arise. On the advice of the civil servants, from the Welsh Government finance department, this plan includes a reasonable and sufficient level of budget for legal advice and costs of representation.
- 3.22 The level of legal costs over the medium term is expected to remain around £120,000 per annum. The factors that influence this are:
- An increase in the number of organisations operating under the standards regime. It is therefore expected that more cases will go before the Tribunal, and it is important for justice and the strengthening of language rights that users have the ability to do this without hindrance.
 - The Commissioner's right to exercise his discretion in deciding whether to investigate complaints; that lead to challenges to the Commissioner's decisions. The Tribunal's decisions will set a precedent as to whether or not those decisions are appropriate. Until those precedents become embedded in public expectations these challenges will continue over the medium term.
 - Where important cases arise, the Commissioner's decision to intervene in such cases is crucial, in order to invest in the strength of the Welsh language by creating a legal precedent.
- 3.23 In terms of other professional costs, expenditure on these is stable and reflects the organisation's requirements. Expenditure can be analysed as follows:
- | | |
|--------------------------------|---------|
| ○ Audit Wales (statutory) | £15,000 |
| ○ Internal audit | £15,000 |
| ○ Translation and proofreading | £33,000 |
| ○ Corporate insurance | £9,000 |
| ○ Consultants | £3,000 |

Officers' Expenses

- 3.24 The COVID-19 lockdown period has caused severe travel restrictions on the organisation's staff. As a result, expenditure in 2020-21 was low and 2021-22 expenditure forecast assumes spend of £11,000, an 86% saving on travel and subsistence costs. This period has required staff to consider alternative methods of engaging with stakeholders. Experience has shown that conducting those relationships and contact can be undertaken through virtual methods as effectively as through face-to-face contact.
- 3.25 Because of this, the assumption is that there will not be a return to face-to-face contact except in circumstances where it is necessary, or more effective. This will be a more efficient use of staff time and also annual costs are expected to be in the region of £ 33,000, a saving of around 60% compared to the pre COVID-19 period.

Other administrative costs

- 3.26 Other administration costs include expenditure on recruitment, training, communications, photocopying and printing, payroll, postal and distribution services. The Commissioner follows good practice such as those promoted by Value Wales. The principle of value for money, based on full lifetime costs and quality of the goods and services purchased, is always followed.

Programmes

- 3.27 Program expenditure of £98,000 is planned for the financial year 2022-23. The level of expenditure is fairly consistent with the planned levels of expenditure in recent years. These programs are restricted to those of a similar nature to projects undertaken in these years. There is no opportunity to cut spending without foregoing research, independent analytical work, or campaigns.

Income

- 3.28 The Commissioner does not expect to receive income from any source other than from Welsh Ministers.
- 3.29 With a change to the budget alignment regime for central government bodies, it is recognised that the Commissioner will make drawdowns of cash in accordance with the timing of the requirement. It is also acknowledged that the Commissioner will need to reimburse the Welsh Government any interest receivable less any interest and banking charges payable.
- 3.30 A small amount of bank interest is received on monies when invested in commercial bank deposit accounts. The amounts are not expected to be material, and note there was a net cost to the organisation of £255 for 2020-21.

4 Depreciation

- 4.1 A budget for depreciation on fixed assets for 2021-22 of £116,000 has been allocated. Depreciation costs were expected to increase significantly due to the investment in the organisation's infrastructure, and IT services.
- 4.2 Due to factors such as delays in timing of investment and difference in treatment for 'Government Budgeting' and accounting standards, additions to fixed assets were lower than advised in the previous Estimate. The impact of this is a forecast depreciation charge for 2021-22 of £65,000, being an underspend of £51,000.
- 4.3 The investment plans on technology systems in 2021-22 and 2022-23 as set out in section 5 result in depreciation and amortisation costs of £120,000 for 2022-23. The increase compared to previous years is a direct result of the investment in the IT systems.

5 Investment on Capital

- 5.1 Following the submission of its IT Strategy to Welsh Government, capital funding of £385,000 was allocated by Welsh Government, as one-off funding for investment in the organisation's IT infrastructure, equipment and software. During 2020-21 £277,000 of the funding was received, with the balance of £108,000 being allocated, together with a request for £30,000, in respect of the 2021-22 financial year.
- 5.2 As noted in paragraphs 3.14 to 3.19, significant work has been undertaken to re-establish the organisation's IT infrastructure and services following the cyber attack, as well as implementing the IT strategy. The loss of all systems and services has been challenging and has impacted on the organisation's ability to implement in accordance with its original plans and timetable.
- 5.3 The table below outlines the main elements of the capital expenditure requirements:

	Forecast 2021-22 £000	Estimate 2022-23 £000
Upgrading of office networks	35	-
Information and Case Management System	102	97
Website	31	-
Promotions Resource and Questionnaire	27	-
Place Names Repository	-	25
Cyber Security	4	20
Implementation partner and project management	57	12
Total capital requirement	256	154
Budget allocated by Welsh Government	138	
Overspend against the budget	-118	

- 5.4 It can be seen from the table above those essential elements of IT development need to be re-established through building new IT systems and resources following the cyber attack. Without these elements being implemented the organisation will not be able to carry out its duties effectively.
- 5.5 It can be seen from the table that an additional £118,000 capital budget is required for the current year (2021-22). The intention is to use the cash in the bank to undertake the work, but agreement is needed to secure adequate capital budget. We will make an application to the Welsh language section for this, following the usual procedure.
- 5.6 Implementing many elements of the IT project places additional demands on the organisation's staff resources as they collaborate with the project implementation partner. Because of this it was concluded that the work on the Information and Case Management system would span 2 years. Work on the Place Names Repository will also need to be deferred until 2022-23. Finally, a sum has been allocated for cyber security to implement improvements arising from internal audit reports.
- 5.7 A capital budget of £154,000 is being sought for 2022-23 to deliver these elements.

6 Cash requirements

- 6.1 The principles of the budget alignment regime for central government bodies state that:
- Organisations should make an application for cash based on the timing of the organisation's expenditure, usually quarterly;
 - Organisations should retain no more than 5% of financial requirements at the end of any quarter;
 - Making requests for cash over and above, or keeping excess cash in commercial bank accounts increases the Public Sector Borrowing Requirement (PSBR) and also the interest payable on it, and is an inefficient use of taxpayers' money.
- 6.2 The 2020-21 annual accounts disclose a balance sheet as set out in paragraph 6.3 below. The balance sheet shows that there was £994,000 cash in a commercial bank account as at 31/03/2021. Retention of this amount does not follow the principles in paragraph 6.1 above. The Commissioner is required to consider his cash needs in accordance with the above principles, and reduce the level of cash held in a commercial bank account to within the 5% threshold.
- 6.3 Based on the spending forecasts for 2021-22 and the spending plans for 2022-23 as outlined in sections 3, 4 and 5 of this document, the cash requirements for these financial years are outlined in the tables below. The Commissioner will first ensure that the cash balance is reduced to within the 5% threshold by the end of 2021-22.

2021-22 Requirements	Balance Sheet 31/03/21 £000	Revenue Spend £000	Capital Spend £000	Fixed Asset Depreciati on £000	Change to Accruals £000	Cash Requirem ent £000	Balance 31/03/22 £000
Fixed Assets	232		195	-65			362
Prepayments	51						51
Cash at bank	994	-3,183	-256			2,617	172
Trade payables	-51						-51
Accruals	-304				50		-254
Other creditors	-45						-45
Provisions	-180						-180
Taxpayers' Equity	697	-3,183	-61	-65	50	2,617	55

- 6.4 The cash requirements for the year are £3,183,000 for revenue expenditure and £256,000 for capital, totalling £ 3,439,000. The Commissioner can retain up to 5% of the annual requirement in the bank at the year end, being £172,000. With £ 994,000 in the bank account at the start of the year, the total cash drawdown for 2021-22 will be £2,617,000.

6.5 For the following financial year, to which this Estimate applies, the cash requirements can be summarised as follows:

2022-23 Requirements	Balance Sheet 31/03/22 £000	Revenue Spend £000	Capital Spend £000	Fixed Asset Depreciati on £000	Impact of IFRS16 £000	Cash Requirem ent £000	Balance 31/03/23 £000
Fixed Assets	362		142	-120			384
Right-of-Use assets	0				551		551
Prepayments	51						51
Cash at bank	172	-3,319	-154		3	3,472	174
Trade payables	-51						-51
Accruals	-254						-254
Lease liabilities	0				-554		-554
Other creditors	-45						-45
Provisions	-180						-180
Taxpayers' Equity	55	-3,319	-12	-120	0	3,503	76

6.6 The cash requirements for the year are £3,319,000 for revenue expenditure, £154,000 for capital, less £3,000 for settling office leases commitments, amounting to a total of £3,470,000. The Commissioner can retain up to 5% of the annual requirement in a bank account at the year end, being £174,000. With £172,000 in the bank account at the start of the year, this Estimate plans a total cash drawdown for 2022-23 of £3,472,000.