

Scrutiny of Welsh Government Third Supplementary Budget 2020-21

March 2021

1. Introduction

1. On 16 February 2021, the Minister for Finance and Trefnydd (the Minister) published the Third Supplementary Budget for 2020-21 (in advance of the publication of the UK Supplementary Estimates, which were published on 22 February).
2. The Finance Committee (the Committee) took evidence from the Minister at its meeting on 24 February 2021.

2. Overview

3. The tables within the Third Supplementary Budget are compared to a restated Second Supplementary Budget to include changes to Ministerial portfolios on 8 October 2020.¹
4. The Third Supplementary Budget allocates almost £1.3 billion additional fiscal resource (6.9 per cent) and almost £837 million in capital (36.2 per cent). There are

¹ The Explanatory Note accompanying the third supplementary budget appears to have errors in table 3.3 and 3.4 showing restated figures from the second supplementary budget, where this report refers to the second supplementary budget, figures used are sourced from elsewhere in the documents accompanying the third supplementary budget.



also increases of £755 million non-cash resource and over £100 million of annually managed expenditure.

5. Compared to the Final Budget 2020-21, total allocations to Welsh Government departments increase from £19.9 billion to £26.5 billion, an increase of 33 per cent. The main increases in fiscal resource (excluding non-cash) are in Economy and Transport - £664 million (33.1 per cent), Housing and Local Government - £337 million (7.1 per cent) and Education - £168 million (11.3 per cent).

6. The main increases in capital are £416 million for Economy and Transport (57.6 per cent), £181 million for Education (82.6 per cent) and £171 million for Housing and Local Government (23.1 per cent). There is also a large percentage increase in Mental Health, Wellbeing and the Welsh Language, up 48.2 per cent (£26 million).

7. Unallocated fiscal resource is £101 million, with just under £1 million in general capital and just over £500,000 in Financial Transactions Capital (FTC).

3. Financing

8. Table 3.1 of the Explanatory Note suggests that the resource baseline has increased by £2.3 billion due to Barnett consequentials and UK transfers. This includes £950.8 million fiscal resource, £497.6 million revenue funding transferred to the Wales reserve the remainder is non-cash.

9. Overall, general capital baseline is increased by £773.3 million, £40.2 million is drawn down from the Wales reserve and there is £137.1 million of agreed flexibility with HM Treasury, transferred to the Wales reserve.

10. The FTC baseline has increased by £52.9 million, £9.8 million additional is drawn down from the Wales reserve and £25.5 million agreed flexibility with HM Treasury transferred to Wales reserve.

11. The Minister noted:

“The Chief Secretary to the Treasury did allow a degree of flexibility in terms of carrying forward any consequentials generated through the operation of the Barnett formula over and above that £5.2 billion guaranteed funding that was previously confirmed on 23 December. So, the supplementary budget that we have in front of us today details

the £660 million that we'll be carrying over into next year, and that is because of the very late notification. So, those funds will be available for use in full next year, and this arrangement is in addition to the existing Wales reserve flexibility.”²

12. Despite the flexibility available with funds this year, the Minister confirmed she was still pressing the UK Government for additional flexibility,³ whilst the Minister’s official noted “a key point from our perspective is how ad hoc all of this is and how difficult it makes planning”.⁴

Committee view

13. The Committee consider that the ongoing pandemic has continued to put a strain on the devolved funding structures and in particular the Fiscal Framework. This has made it more challenging for the Committee and the Senedd to have a clear picture of funding being made available to the Welsh Government.

14. The Committee has previously raised concerns over problems caused by delays to the announcement of UK fiscal events. This uncertainty makes it difficult for the Welsh Government to effectively plan budgets. However, the Committee does acknowledge that the funding guarantee put in place by the UK Government has provided some certainty, although issues regarding when and how much funding was coming to Wales still persist.

15. The Committee notes that the Minister stated that the Supplementary Budget includes all funding consequential from the UK Supplementary Estimates. With the funding being held in departmental contingencies it will be even more crucial for transparency that the next Welsh Government continues to publish the end of year position to Budget Expenditure Line level as set out in the latest Outturn Report 2019-20.

16. The Committee is pleased that the UK Treasury has agreed that the Welsh Government can carry forward £660 million funding that was provided late in the financial year, in addition to the current limits to the Wales Reserve. Whilst the Committee welcomes that there will be no restrictions on accessing this funding in 2021-22, the Committee recognises and supports the Welsh Government’s

² Record of Proceedings, 24 February 2021, paragraph 15

³ Record of Proceedings, 24 February 2021, paragraph 17

⁴ Record of Proceedings, 24 February 2021, paragraph 21

desire for a less ad hoc approach to devolved funding and in particular removal of limits to accessing the Wales Reserve.

Recommendation 1. The Committee recommends that the Welsh Government continues to press the UK Government for clear, systematic changes to the funding process in relation to the structure of UK fiscal events.

Recommendation 2. The Committee recommends that the next Welsh Government continues to publish Outturn reports to the same level of detail as that published by the current Welsh Government in the 2019-20 report.

4. Health and Social Services

17. The Third Supplementary Budget increases allocations to the Health and Social Services MEG by £244.5 million compared with the Second Supplementary Budget (including Annually Managed Expenditure or 'AME'), an increase of 2.4 per cent. This includes allocations for COVID-19 and the Reconstruction Package of £74.7 million and £17.1 million respectively from fiscal resource reserves, £34 million from non-fiscal resource reserves and £22 million from general capital reserves.

18. It reflects net resource funding of £17.9 million transferred from the Health and Social Services MEG to other MEGs. Of this, £13.4 million has been transferred from the budgets for Core and Targeted NHS Services and £3 million for Support for Childcare and Play.

19. The allocations also reflect £19.2 million capital funding transferred to Core NHS Services from other MEGs.

COVID-19 Resource Allocations

20. The Third Supplementary Budget sets out additional resource allocations of £74.7 million for COVID-19, including funding for contact tracing, the vaccination programme and a contingency fund.

21. Updating the Committee on the NHS response to COVID-19, the Minister said:

“... we've now allocated over £1.1 billion of funding to the NHS, and further allocations will be confirmed during March. All NHS organisations have confirmed to us that they do have the funding that they need in order to continue their response to COVID, including, I think, making that remarkable progress on the mass vaccination

programme. And Welsh Government officials and health finance officials are in constant discussion in terms of monitoring the position in-year to explore whether or not additional funding is required, but we have had that confirmation that the organisations do have the funding that they need in order to respond to the pandemic. We anticipate the outturn will be close to the £1.3 billion funding allocated to the NHS, but that will be confirmed in early summer when the NHS accounts are completed.”⁵

22. The Third Supplementary Budget allocates £17.1 million to make up lost ground in terms of the treatment of non-COVID conditions, in recognition of the significant impact the delivery of the urgent COVID-19 response has had across NHS Wales. The Welsh Government has allocated £4 million for Core NHS resources to support additional capacity for the NHS.

Committee view

23. The Committee recognise the financial support that the Welsh Government has provided to the NHS and social services through the year and considers the additional funding provided within this supplementary budget to be prudent given the continued uncertainty up to the end of this financial year.

5. Local Government

24. The Third Supplementary Budget notes that there has been an increase in households entitled to the Council Tax Reduction Scheme (CTRS), stating:

“Unlike the normal maintenance of entitlements, local authorities could not have anticipated the increase in demand for CTRS as a result of Covid-19 when they were formulating their budget plans for the 2020-21 financial year.”

25. There is an additional £8.1 million allocated to local authorities to replace lost income from the CTRS. The narrative also notes that the impact on household incomes will not only have an impact on the CTRS but also on council tax collection rates. It goes on to say:

“During the pandemic, local authorities have additional responsibilities to administer Covid-19 related payments including business grants, self-

⁵ Record of Proceedings, 24 February 2021, paragraph 55

isolation and SSP enhancement schemes. These additional responsibilities are likely to have impacted on authorities' ability to collect council tax."

26. Working with the Welsh Local Government Association (WLGA), the Welsh Government has allocated an additional £22.6 million to cover 75 per cent of the anticipated loss of council tax income in 2020-21.

Local Authority Hardship fund

27. Throughout the pandemic the Welsh Government has provided emergency funding to local authorities, with the majority of that through the Local Authority Hardship Fund. The First Supplementary Budget made £188.5 million available for this purpose, increased by £306.6 million at the Second Supplementary Budget, and now further extended by an additional £92.5 million. The fund operates on a claims basis.

28. Recognising the different local authorities face different pressures, the Minister said:

"...we've tried to work with local government to understand where the real pressures are and to provide a system that is fair to local government, because ... not every local government will face the same issues. So, the fund has been based largely on a claims basis so that we're able to respond appropriately to each of those local authorities' needs."⁶

Voluntary Sector and Communities

29. An additional £3.2 million has been allocated to the Discretionary Assistance Fund (DAF). The narrative notes that Emergency Assistance Payment applications have increased dramatically from 15,650 prior to the onset of the pandemic in February to 29,000 in November 2020. Total additional funding in 2020-21 for the DAF has been £14.9 million.

30. The Supplementary Budget extends the £24 million Third Sector Response Fund by £4.7 million and refocuses the funds to directly support activities to address the equality impacts of the pandemic (this is funded within the Central Services and Administration MEG).

⁶ Record of Proceedings, 24 February 2021, paragraph 80

31. The Minister said the third and voluntary sector were “one of four key pillars” of the Welsh Government’s response to the pandemic, she continued:

“... we've got the health and social care pillar, the local government pillar, transport, and also the role of the third sector, and we can see that reflected in the £24 million COVID-19 third sector response fund, which we put in place in April 2020. That aimed to do a number of things, one of which was supporting those third sector organisations to respond to the crisis, but also to support those organisations that were suffering as a result of the loss of fundraising income, just to help them support the crisis. So, there was a resilience fund allocation of around £10 million for that, recognising that, in the recovery, these organisations are going to play such an important role that they need to survive. So, we have made some significant funding available. I think, within this third supplementary budget you'll see £4.7 million allocated, but that's part of a larger picture that began at the start of the pandemic.”⁷

Committee view

32. The Committee notes that local authority incomes have been significantly impacted by the pandemic, and their capacity to raise income will continue to be impacted into the next financial year. The effect of the pandemic on funding streams, other than the funding from the Welsh Government, varies by authority. The Committee welcomes the additional funding provided through the Local Authority Hardship Fund, but believes reassurance is required from the Welsh Government that the funding provided to local authorities is taking full account of the differential impact of COVID-19 on local authority incomes.

33. The Committee recognises the role that the third sector plays in providing support and services that support health, social and local services and that this sector has also been impacted in terms of ability to raise revenue. The Committee welcomes the additional funding provided within the Third Supplementary Budget for the Discretionary Assistance Funding and Third Sector response fund but notes that the level of additional funding the sector is receiving is modest in comparison to the support given to the health service.

⁷ Record of Proceedings, 24 February 2021, paragraph 84

Recommendation 3. The Committee recommends that the Welsh Government confirms that the funding provided to local authorities is taking full account of the differential impact of COVID-19 on local authority incomes.

Recommendation 4. The Committee recommends that the Welsh Government confirms that the additional funding provided within the Third Supplementary Budget for the Discretionary Assistance Funding and Third Sector response fund fully reflects the impact on different areas and organisations within the Third Sector.

6. Education

34. The Education MEG has received an additional £167.7 million for resource and £180.9 million capital in the Third Supplementary Budget. The explanatory note highlighted that the Welsh Government was “providing substantial funding for education as we recognise the upheaval the pandemic has had on learners, and the need to provide for catch-up and adaptation”.

Digital learning

35. On 29 April 2020, the Welsh Government announced up to £3 million would be made available for ‘digitally excluded’ learners during the pandemic. On 2 July 2020, it confirmed that it had issued 10,848 MiFi devices and 9,717 software licences to learners, based on the demand identified by schools and their local authorities.

36. Estyn published a report in January 2021, which said pupils’ learning experiences in the autumn term varied widely across and within schools and it made five recommendations to the Welsh Government to promote learning and support for vulnerable pupils. One of the recommendations was to address barriers to learning at home, particularly where this is due to a lack of access to suitable computers or adequate connectivity.

37. In January 2021, the Children’s Commissioner for Wales commissioned research into the digital divide from the perspective of schools and colleges in Wales. It found that 42 per cent of schools and colleges said they did not have enough devices.

38. The Welsh Government has made a number of allocations related to digital learning, including:

- An additional £4.9 million capital funding to address digital exclusion in Further Education.
- £40 million for student hardship and student mental health, which would also be used to address 'digital poverty' among students.
- £2.6 million to provide digital support for apprentices.
- £9m to support local authorities and FE institutions with the additional costs associated with specialist software, additional sessions to adhere to social distancing, and helping learners with ALN to access blended and remote delivery.
- £11.9 million capital for an additional 50,000 digital devices.
- £6 million from general capital reserves in support of the IT investment and the cost to providers of making digital equipment available to learners.

39. The Minister said:

"... within this supplementary budget, you'll see that we've allocated additional funding of £11.9 million capital, and that will allow us to purchase an additional 50,000 devices for schools, and that will take the total number of devices that we've been able to allocate to children via their schools to over 180,000 to ensure that children are able to do their work from home. So, I think that that has significantly been ramped up over the course of the year, and I would always encourage any families who are still struggling to speak to their school, and schools, in my experience, have been very keen to access those devices to ensure that children can undertake their work."⁸

40. However, the Minister said that there was high demand for digital equipment across Europe and the world, noting there were "challenges there in terms of getting our hands, really, on the devices that we needed."⁹

Committee view

41. The Committee recognises the funding allocated to support digital learning, and notes the issues around global demand for digital devices. However, it is

⁸ Record of Proceedings, 24 February 2021, paragraph 102

⁹ Record of Proceedings, 24 February 2021, paragraph 105

concerning that there have been challenges obtaining equipment and some learners may not have access to the required equipment to support them in digital learning.

42. The Committee urges the next Welsh Government to ensure that the learning by Welsh children which has been impacted by the pandemic is mitigated to the greatest possible extent and if needed additional funding should be allocated in 2021-22 and beyond to support those who may have fallen behind.

7. Economy

43. The Economy and Transport MEG has received the largest allocation within this Supplementary Budget, with over £660 million additional revenue and £345 million capital allocated since the Second Supplementary Budget.

44. The Final Budget 2020-21 allocated the Economy and Transport MEG £1.6 billion, with in-year allocations it has reached £4.2 billion.

Business Support

45. The majority of funding is associated with business support, and within that, for grants linked to business rates. In late November 2020, pre-Christmas restrictions in Wales were announced that resulted in additional funding through the Economic Resilience Fund (ERF), Restrictions Business Fund and Sector Specific Funding.

46. This support was subsequently enhanced to cover the period December 2020 to March 2021 following the implementation of restrictions associated with Alert level 4 prior to Christmas.

47. Taken together this means that, for the period 4 December 2020 to the end of March 2021, every business covered by the small business rates relief can access up to a £6,000 payment, and those with a non-domestic rateable value of over £12,001 are eligible for £10,000 payment.

48. An evaluation of the ERF published in December shows that ERF grants had supported almost 12,000 firms/organisations in Wales and 125,000 jobs (around 10.5 per cent of total employment).

49. The report makes a number of recommendations in terms of future analysis including:

“The analysis in this report has focused on successful applicants under the main ERF elements. There is also a challenge to explore those applicants which were unsuccessful, and to establish patterns in unsuccessful application by industry and geography.”

50. The Minister said the Welsh Government had prioritised supporting businesses, spending more in Wales than the funding that had been received in consequentials, she continued

“We've also allocated in the order of £2 billion to support businesses and, actually, £1.8 billion of that has already gone into the accounts of businesses. I think that that achievement is phenomenal in terms of the kind of speed that we're trying to get these business grants out to the necessary businesses.”¹⁰

51. The Minister was asked how town centres would be supported following the pandemic, she said:

“... we're really fortunate in the sense that we already had a really strong strategic approach ... through our £110 million Transforming Towns programme ... But the funding that we've allocated within this supplementary budget includes £5 million for the Transforming Towns strategic sites acquisition fund. So, that will allow local authority partners to identify and review available buildings and land within or closely aligned to town and city centres that can be used for new purposes in future. Local hubs for businesses and the third sector or other public uses might be a useful use of those sites, for example.”¹¹

Committee view

52. The Committee recognises that the pandemic has accelerated changes to the way people shop and reduced retail demand for space in town centres. The Committee considers that policy should be based on ideas and evidence that fully reflect the changing trends in the way we shop. Funding provided to support businesses, town centres and recovery needs to be targeted accordingly.

¹⁰ Record of Proceedings, 24 February 2021, paragraph 119

¹¹ Record of Proceedings, 24 February 2021, paragraph 149

8. EU Transition

Trade deal

53. On 24 December 2020, the United Kingdom and the European Union agreed a deal on their future trading relationship. This new trading relationship took effect on 1 January 2021, at the end of the transition period. In his statement in response to the deal, the First Minister stated:

“..it is already clear that this is not the sort of deal which the Welsh Government wanted: one which would have protected jobs, the economy and the rights of our citizens.”

Ports and Fisheries

54. The Minister told the Committee on 2 November 2020, during the scrutiny of the Second Supplementary Budget:

“I have earmarked some funding... in relation to ports and border issues, and I think that will be important as we move through the end of the year as well. But I think it's also important to remember that many of the negative impacts of Brexit will hit in future years.”

55. On 1 January 2021, the Welsh Government published guidance on contingency plans for the Port of Holyhead following the end of the transition period. This reported:

“The reasonable worst case scenario published by the UK Government highlights that 40% to 70% of HGVs arriving at ports after the end of the transition period could be turned away as they do not have the right documentation.”

56. The Third Supplementary Budget includes an allocation towards the A55 approach road to the Port of Holyhead, with £2.08 million of funding to the Economy and Transport MEG from fiscal resource reserves.

57. The Minister said discussions with the UK Government were ongoing regarding funding of the infrastructure costs to update ports following new trading rules, although there had been ‘positive noises’.¹²

¹² Record of Proceedings, 24 February 2021, paragraph 157

UK Shared Prosperity Fund (UKSPF)

58. The Supplementary Budget narrative notes £3.8 million received from HM Treasury, which it describes as being allocated ‘in respect of EU structural funds’. Whilst £53.7 million to the Economy and Transport MEG has been allocated to support needs based projects ‘following the suspension of EU funding’.

59. The UK Government Spending Review, published in November 2020, outlined what the scheme would look like in broad terms, stating:

“Funding for the UKSPF will ramp up so that total domestic UK-wide funding will at least match receipts from EU structural funds, on average reaching around £1.5 billion per year. In addition, to help local areas prepare over 2021-22 for the introduction of the UKSPF, the government will provide additional UK-wide funding to support communities to pilot programmes and new approaches.”

60. The Spending Review goes on to state that further details about how the UKSPF will operate will be published in Spring 2021, with further details to follow on the nature of the additional funding to be provided in 2021-22, ‘using the new financial assistance powers in the UK Internal Market Bill’. On 8 February 2021, the UK Government reported they would be ‘published soon’.

Committee view

61. This Supplementary Budget is the first since the EU trade deal was agreed. The Committee is concerned that this has underlined the requirement for extensive infrastructure investment for Welsh ports. The Committee would welcome updates on how the discussions with the UK Government are progressing, to ensure full and timely funding is available to make these changes.

Recommendation 5. The Committee recommends that the Welsh Government provides an update on discussions with the UK Government regarding funding for investment infrastructure into Welsh ports.

Recommendation 6. The Committee continues to be concerned on the lack of detail on the UK Shared Prosperity Fund and urges the Welsh Government to continue to pressure the UK Government to ensure a fair funding settlement for Wales.

Directly funded bodies (DFBs)

62. The Supplementary Budget motion proposes a variation to the budgets of the three bodies directly funded from the Welsh Consolidated Fund (WCF). The Committee considered these requests at its meeting on 15 January 2021.

63. All three DFBs identify additional costs for the accrual of staff annual leave, due to the impact of the pandemic on staff holiday plans and workloads. This is a technical accounting adjustment. As there is no cost in cash terms, it does not impact on the cash requirement from the WCF.

Senedd Commission

64. The Senedd Commission's Second Supplementary Budget for 2020-21 reflects two changes to the resources set out in its First Supplementary Budget:

- an increase in the AME for the Members of the Senedd Pension Scheme (£0.4 million);
- an increase in the resource budget for the accrual for staff annual leave not expected to be taken by 31 March 2021 (£0.65 million).

65. The AME change to the Pension Scheme is a non-cash adjustment and the amount the Senedd Commission (the Commission) is paying into the Scheme is unchanged in 2021-22. It reflects a change to the actuarial valuation resulting in an adjustment of the value and liabilities of the Scheme over the long term that need to be accounted for in the financial statement at the end of the financial year.

66. Due to the pandemic and the impact on staff, the Commission's estimate of the average days of annual leave accrued at the year-end has increased from 6.88 days to 13 days of annual leave.

67. The net effect of these changes increases the Commission's resource requirement by £1.05 million to £60.625 million. However, both changes are technical accounting entries that do not impact on its net cash requirement, which remains at £56.075 million.

Public Services Ombudsman for Wales

68. The pension obligations of the Ombudsman's staff are discharged through two separate schemes: the Civil Service Pensions (formerly the Principal Civil

Service Pension Scheme (PCSPS)); and Cardiff and Vale of Glamorgan Pension Fund (Local Government Pension Scheme (LGPS)).

69. As noted in the Committee's [report on the scrutiny of the Estimate for 2018-19](#), the Ombudsman has reported a deficit in respect of the LGPS since 2010-11. The Ombudsman previously told the Committee this deficit would be covered through additional annual instalments, with the intention that the deficit would be repaid by 2017-2018. By March 2017, [a surplus of £40,000 was reported](#). The [Annual Report and Accounts for 2019-20](#) showed a surplus of £1.08 million, up from £810,000 in 2018-2019.

70. On 5 October 2020, during the scrutiny of his Draft Estimate for 2021-22, the Ombudsman's Financial Accountant informed the Committee that, since the laying of the Annual Report and Accounts for 2019-20, the last remaining member of the LGPS had resigned from their post. He indicated that the Actuary for the LGPS had confirmed that a "significant refund" of the surplus would be repaid to the Ombudsman's office – anticipated to be around £1 million.¹³

71. The Ombudsman's latest [Supplementary Estimate for 2020-21](#) includes:

- an increase in income, together with a corresponding reduction in the cash sought from the WCF, given the refund received by the Ombudsman from the LGPS (£974,000);
- an increase in the resource budget for accrued staff annual leave (£160,000).

72. The Ombudsman reports that he has agreed with Audit Wales and Welsh Government officials to treat the repayment of the pension surplus as 'income'. It will be used to cover the Ombudsman's operational expenditure and reduce the total cash requirement for 2020-21 set out in his [First Supplementary Estimate](#).

73. The Ombudsman states that, due to the pandemic and its impact on staff holiday plans, he temporarily increased the number of days each employee is able to carry forward into the next leave year (to 14 days). He adds "whilst staff have been encouraged to take time off, and have done so, many staff have not had the chance to take an extended break". As a result, the amount of untaken leave at 31 March 2021 is expected to be "substantial", though the Ombudsman does not set

¹³ [Record of Proceedings, 5 October 2020, paragraph 206](#)

out how many days' leave on average each employee is likely not to have taken at the end of the financial year.

74. The net effect of these changes increases the Ombudsman's total expenditure by £160,000 to £5.270 million and reduces the net cash requirement from the WCF by £974,000 to £4.096 million.

Audit Wales

75. In July 2020, Audit Wales wrote to the Committee to suggest that it estimated a possible need to increase its call on the WCF by approximately £500,000 for 2020-21, as a result of its audit work taking longer and significantly reshaping its performance audit work programme due to the pandemic. Audit Wales indicated that it was "very unlikely" to recognise the full year's planned fee income for 2020-21, estimating a reduction of £600,000 in fee income.

76. The letter also identified cost savings, including its Voluntary Exit Scheme (VES) and holding vacant posts, and specifically:

- travel and subsistence - £230,000;
- staff development, recruitment and training events - £95,000;
- office accommodation - £50,000;
- other budget areas such as translation, printing and stationery - £30,000.

77. Audit Wales' Interim Report 2020-21 (October 2020) indicated that it was on track to deliver its full programme of 2019-20 audit accounts work, "albeit to a more elongated timescale" and had "managed to carry out more work and consequently generate a greater proportion" of its planned fee income than it originally thought.

78. Audit Wales' Second Supplementary Estimate:

- recognises an in-year increase in fee income in 2020-21 (£266,000);
- reduces its revenue resources in relation to the Chair's expenses (£5,000).

79. The additional fee income increases total resources to £22.493 million – an increase of just over 1 per cent in the overall budget and just under 2 per cent in

terms of anticipated fee income for the year. This change does not impact on the net cash requirement sought from the WCF.

80. Audit Wales suggests that remote working has led to delays in the production of some of the accounts of audited bodies and associated working papers, which has increased the time taken to deliver audit work. Consequently, it has increased the cost of the work undertaken by Audit Wales staff and contractors. Where these costs are due to Audit Wales staff inefficiency, the costs are to be absorbed. However, where they result from delays or poor-quality accounts supplied by audited bodies, additional fees can be (and have been) payable.

81. Audit Wales notes that additional income and savings made across other budget areas (such as travel and subsistence) will be used to meet additional costs, including work undertaken by contractor firms and the costs associated with staff delaying annual leave. Audit Wales will also use this funding to invest in its VES scheme.

82. The Supplementary Estimate also makes an adjustment for the expenses of the Chair, which had previously been met by the Wales Audit Office (WAO) and funded from the WCF. However, it has been identified that this should be funded as a direct charge on the WCF. These costs are now met by the Senedd Commission and reimbursed via a direct charge on the WCF. This adjustment is valued at £5,000 and reduces the WAO's net cash requirement from the WCF by this amount.

83. Having considered the Supplementary Estimate 2020-21, the Committee wrote to Audit Wales seeking further detail on the estimated value of accrued staff annual leave as a result of the pandemic. In its response, Audit Wales noted that at the end of 2019-20, the value of accrued annual leave "was £521,000 – equivalent to an average of 8.5 days per member of staff" and for 2020-21, it expected "accrued annual leave balances to increase by around 3 days per member of staff – equivalent to an increased charge to our accounts of £200,000".

Committee view

84. The Committee notes the value of technical accounting adjustments made to reflect the additional cost of accrued staff annual leave at the three directly funded bodies.

85. The Committee welcomes the refund of Local Government Pension Scheme surpluses to the Ombudsman's office and notes the intention to treat this

repayment as an increase in income, thereby reducing the cash sought from the Welsh Consolidated Fund.

86. The Committee notes the letter from the Minister on 2 March 2021 in relation to the description within the budget motion to allow for the Ombudsman's retention of the pension scheme surplus.

Conclusion 1. The Committee is content with the variation to the budgets for the Senedd Commission, Public Services Ombudsman for Wales and the Wales Audit Office and Auditor General for Wales.