

Scrutiny of the Welsh Government Second Supplementary Budget 2022-23

March 2023

1. Introduction

1. On 14 February 2023, the Minister for Finance and Local Government (the Minister) laid the Welsh Government Second Supplementary Budget 2022-23 motion (the Supplementary Budget),¹ and an accompanying Explanatory Note.² Revised main expenditure group allocations were also published alongside these documents.³
2. The Committee took evidence from the Minister at its meeting on 1 March 2023.⁴
3. This Supplementary Budget reflects budgetary changes since the First Supplementary Budget 2022-23, laid on 21 June 2022.⁵
4. It sets out allocations from reserves, transfers between Welsh Government portfolios and includes revised Annually Managed Expenditure (AME) forecasts. It also includes revisions to forecasts of devolved taxes, Block Grant Adjustments, funds drawn from the Wales Reserve, and proposed borrowing.
5. The Second Supplementary Budget also includes adjustments to the budgets for the Senedd Commission, Public Services Ombudsman for Wales and Audit Wales, as considered by the Committee on 31 January 2023.⁶

¹ [Welsh Government, Supplementary Budget Motion, 14 February 2023](#)

² [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023](#)

³ [Welsh Government, Supplementary Budget 2022-23: Main expenditure group allocations, 14 February 2023](#)

⁴ Finance Committee, RoP, 1 March 2023

⁵ [Welsh Government, 1st Supplementary Budget 2022 to 2023, 21 June 2022](#)

⁶ [Finance Committee, Agenda, 31 January 2023](#)

2. Overview

6. The Explanatory Note⁷ states that the Welsh Government's fiscal resource baseline has increased by £276.7 million following publication of the UK Supplementary Estimates,⁸ which was published a week after the Welsh Government's Supplementary Budget was laid. This includes:

- increases of £152.3 million transfers with other UK Government departments;
- £91 million drawdown from the Wales Reserve;
- £62.7 million Barnett consequentials;
- £31.9 million, non-Barnett funding;
- £29.1 million miscellaneous claims on UK Government reserves;
- decreases of £57.4 million following a funding switch from resource to capital; and
- £31.7 million through block grant adjustments.

7. In terms of capital, there is a net reduction in the baseline of £30.3 million. In addition, the following changes have been made:

- increases of £57.4 million following a switch from resource to capital (see above);
- £50 million drawdown from Wales Reserve;
- £1.8 million claims on UK Government reserves;
- £165,000 UK Government transfers;
- decreases of £75 million relating to implementation of IFRS16 accountancy standard;
- £34.7 million Barnett consequentials;
- £30 million Welsh Government capital contribution linked to the Ukraine conflict.

8. There is a decrease of £70.3 million in financial transactions capital as part of the UK Supplementary Estimates and the non-fiscal resource baseline has decreased by £550.7 million.

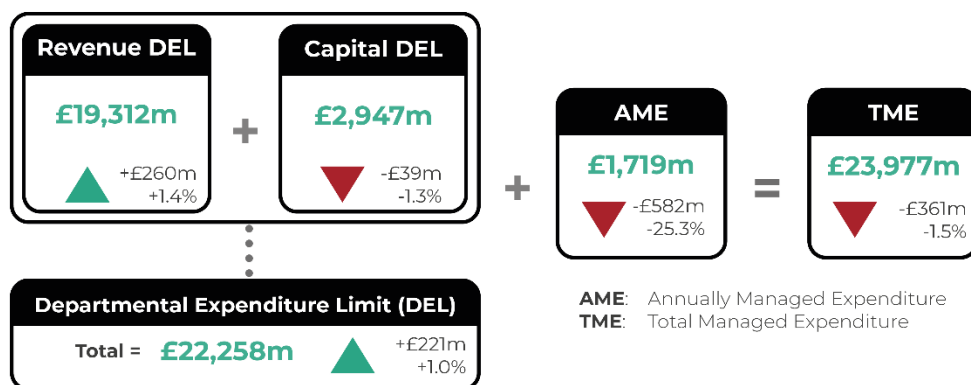
⁷ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 12](#)

⁸ [HM Treasury, Supplementary Estimates 2022-23, 21 February 2023](#)









9. Devolved tax income has increased by £22.5 million; £14.2 million Land Transaction Tax and £8.3 million Landfill Disposals Tax. There are no changes to the Welsh Rates of Income Tax and non-domestic rates, or repayment of principal borrowing.

Main Changes

10. The main changes made by this Supplementary Budget are illustrated below:



Source: Welsh Government⁹ and Senedd Research calculations

	Total revenue and capital allocation	Change from First Supplementary Budget to Second Supplementary Budget
 Health and Social Services	£10,581m	£325m 3.2% ▲
 Finance and Local Government*	£4,821m	£102m 2.2% ▲
 Education and the Welsh Language**	£2,362m	£218m -8.5% ▼
 Climate Change	£2,966m	£24m 0.8% ▲
 Economy	£506m	£8m -1.6% ▼
 Rural Affairs	£421m	£1m -0.2% ▼
 Central Services and Administration	£359m	£4m 1.1% ▲
 Social Justice	£242m	£7m -2.7% ▼

⁹ Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 18

Source: Welsh Government¹⁰ and Senedd Research calculations

* Excludes around £1 billion non-domestic rates income.

** Includes allocation of £208 million of non-fiscal revenue due to student loans.

11. The most significant additional allocations is in the Health and Social Services portfolio which receives an extra £325 million, with the Finance and Local Government portfolio receiving an additional £102 million. These additional funds are intended to provide:

- general NHS support;
- additional NHS heating costs;
- continued ongoing costs related to NHS COVID-19 response;
- public sector pay awards; and
- support linked to the Ukraine conflict.¹¹

12. There are also a number of transfers and movements of funding both between and within Ministerial portfolios, which amounts to £30.2 million.¹²

Use of Reserves

13. Reserves held in the Supplementary Budget include the following:

- fiscal resource of £1.5 million (a decrease of £150.8 million since the First Supplementary Budget 2022-23);
- non-fiscal resource of £338.9 million (a decrease of £360.3 million since the First Supplementary Budget 2022-23); and
- financial transactions capital of £141.6 million (a decrease of £72.5 million since the First Supplementary Budget 2022-23).

14. The Explanatory Note shows that the Welsh Government's funding includes £125 million revenue and £50 million capital drawdown from the Wales Reserve,¹³ the maximum levels allowed under the Fiscal Framework.

¹⁰ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 18](#)

¹¹ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 18](#)

¹² [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 17](#)

¹³ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 8](#)

15. In response to a previous Committee recommendation,¹⁴ the Welsh Government provided updates on funding in the Wales Reserve in its Outturn Report 2021 to 22 which was published on 24 February 2023.¹⁵ The end of year balance in the Reserve is £304 million, with £242.4 million noted as fiscal resource and £61.6 million capital.¹⁶ The Supplementary Budget includes plans to draw down the maximum permitted in-year funding from the Wales Reserve, £125 million revenue and £50 million capital, this would leave £129 million in the Reserve.¹⁷

16. In explaining the options available to the Welsh Government in managing its end of year position, the Minister stated that “there are different choices as you get to the end of the financial year” given that money can be moved “across from those areas of underspend to areas where there is the potential to spend late on in the year, or ... it might be preferable to add money into the reserve”.¹⁸

17. In relation to 2021-22, the outturn report highlights that £179.6 million has been switched from revenue to capital, enabling a reduction in planned capital borrowing of £113 million.¹⁹ Underspends of £171.8 million in financial capital transactions funding have also been used to fund early repayment of previous financial transactions capital spending.²⁰

18. The Minister also explained how the Welsh Government plans to use the fiscal tools available to manage its financial position at year-end so that it avoids the need to return funding to the Treasury:

“So, all we can do is carry up to £350 million in the Wales reserve; anything beyond that, you have to find other ways to manage or it does get returned to Treasury. So, other ways to manage might include reducing the amount of borrowing that we wanted to do in that financial year. So, that's a tool that you can use at the end, if needed.”²¹

19. When asked if the Welsh Government would be returning any unspent money back to the UK Government in 2022-23, the Minister confirmed that “there’s headroom now in the Wales Reserve to accommodate underspends, so we’re confident (that there wouldn’t be any money being returned)”.²²

¹⁴ [Finance Committee, Scrutiny of the Welsh Government Second Supplementary Budget 2021-22, March 2022, Recommendation 4](#)

¹⁵ [Welsh Government, Report on outturn 2021 to 2022, 27 February 2023](#)

¹⁶ [Welsh Government, Report on outturn 2021 to 2022, 27 February 2023](#)

¹⁷ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 17](#)

¹⁸ Finance Committee, RoP, 1 March 2023, paragraph 27

¹⁹ [Welsh Government, Report on outturn 2021 to 2022, 27 February 2023](#)

²⁰ [Welsh Government, Report on outturn 2021 to 2022, 27 February 2023](#)

²¹ Finance Committee, RoP, 1 March 2023, paragraph 59

²² Finance Committee, RoP, 1 March 2023, paragraph 52

20. In terms of whether the Welsh Government had any contingency plans in place should additional funds be required to support public sector pay deals agreed between now and the end of the financial year (further consideration of allocations made in relation to pay pressures is included in Chapter 3), the Minister's official provided the following assurances:

*"the money's been allocated ... it's there, it's available, if needed, this financial year. If it isn't, then we're confident that those underspends then, there's room within the Wales reserve for that money to go in."*²³

Funding Flexibilities

21. When asked whether the Welsh Government was informed beforehand by the UK Government of the budgetary impact that the UK Supplementary Estimates would have on its finances, the Minister confirmed that this was received in advance and in confidence on 18 January 2023.²⁴ The Minister also explained that the Welsh Government "was notified at that point that any revisions to the estimate outside of a 10 per cent tolerance could be carried forward into 2023-24 without impacting on the Wales reserve", adding that this was "a small step forward, but certainly not sufficient".²⁵

22. The Minister also shared her frustrations with the Committee about the practical impact that a lack of funding flexibility from one financial year to the next was having on the Welsh Government's ability to manage its budget:

*"this point itself speaks to the importance of proper flexibilities at year end and, I think, almost an inherent unfairness that we're notified right near the end of the financial year that we'll be having deductions from our budget just because UK Government departments haven't managed to spend their budget. So, that obviously ... puts us in a difficult position."*²⁶

23. The Minister went on to say that the Welsh Government needed further powers in this area:

*"there's definitely more that we need in terms of the amount of money that we're able to draw down, or to keep in the reserve and to draw down in any year. And then the flexibility to manage over financial years as well, so that when we get that very late injection of cash at the end of the year, being able to carry it over just as a matter of course into the next financial year, I think, would, again, be sensible."*²⁷

²³ Finance Committee, RoP, 1 March 2023, paragraph 66

²⁴ Finance Committee, RoP, 1 March 2023, paragraph 40

²⁵ Finance Committee, RoP, 1 March 2023, paragraph 40

²⁶ Finance Committee, RoP, 1 March 2023, paragraph 42

²⁷ Finance Committee, RoP, 1 March 2023, paragraph 81

24. When asked about the current status of the relationship between the UK and Welsh governments on fiscal matters, the Minister told the Committee that she had a “really productive meeting” with the latest Chief Secretary to the Treasury in early February. The Minister added that further discussions will take place with the Chief Secretary around increasing draw-down limits and “the fact that he’s open to that discussion and has indicated some early willingness is positive”.²⁸

Committee View

25. The Committee welcomes steps taken by the Welsh Government to manage its in-year funding position so that it avoids having to return funding to the UK Government at the end of the 2022-23 financial year. In particular, the Committee was assured by the Minister that there was sufficient headroom in the Wales Reserve to ensure that carry forward limits would not be exceeded.

26. The Committee welcomes the timely publication of the Welsh Government’s Outturn Report for 2021 to 2022, and particularly the information on the balance of the Wales Reserve, which have previously been requested.²⁹ This provides much needed clarity on the way the Welsh Government manages its reserves and sheds light on how those funds are used in-year.

27. Despite this, the Committee would like to see the Welsh Government go further and provide information about the Wales Reserve balance on an ongoing basis by publishing this information in documentation accompanying all future budgets. We note that the Welsh Government has previously committed to include further information on the Wales Reserve, beyond that included in the Outturn Report, “where it is practical to do so”.³⁰ However, the Committee feels that the Minister could do more in this area to provide upmost transparency on an aspect of the budget that is often opaque and difficult to monitor.

28. The Committee recognises that last minute changes to budget allocations may be required should public sector pay deals be agreed by the end of the financial year and welcomes that the Welsh Government has contingency plans in place to cover a range of different scenarios. Although the Committee understands that such last minute changes may be unavoidable this year due to uncertainty around the timing of any public sector pay awards, we believe that the Minister should be up front about how such costs are covered within existing budgets. We therefore call on the Minister to provide an update on the actions taken, including any additional allocations made by the Welsh Government, as close to the end of the financial year as possible.

²⁸ Finance Committee, RoP, 1 March 2023, paragraph 77

²⁹ [Finance Committee, Scrutiny of the Welsh Government Second Supplementary Budget 2021-22, March 2022, Recommendation 4](#)

³⁰ [Finance Committee, Welsh Government Response to Recommendation from the Finance Committee Report: Scrutiny of the Welsh Government Second Supplementary Budget 2021-22, April 2022, page 3](#)

29. The Committee notes that the Welsh Government received confirmation of the money available to it through UK Supplementary Estimates in confidence towards the end of January, which informed the Welsh Government of the funding available to it in good time before the Supplementary Budget was laid. The Committee was also encouraged by the positive initial meeting held between the Minister and the latest UK Chief Secretary to the Treasury and urges the Minister to continue in her efforts to enhance the Welsh Government's ability to manage finances from one year to the next. The Committee welcomes these developments and hopes that such small steps will lead to a smoother and more constructive relationship between both governments.

30. The Committee has previously made recommendations supporting the Minister's efforts in pressing the UK Government to increase the size of the Wales Reserve and borrowing limits so they are in line with inflation.³¹ We strongly agree with the Minister that the current rules are inherently unfair and place unnecessary constraints on the discretion afforded to Welsh Ministers in managing their budgets. The Committee's firmly held position, reflected in our report on the Welsh Government's Draft Report for 2023-24, is that the UK Government should increase overall and annual limits for borrowing and reserves, at least in line with inflation, and that these limits should be reviewed regularly so as not to reduce its value in real terms over time.³² We reiterate those views here and support the Minister in her endeavours.

Conclusion 1. The Committee welcomes steps taken by the Minister through the Supplementary Budget to ensure that there is sufficient headroom in the Wales Reserve to avoid carry forward limits from being exceeded, which would result in funding having to be returned to the UK Government.

Recommendation 1. The Committee recommends that the Welsh Government should provide information about the in-year balance in the Wales Reserve as part of documentation accompanying all future budgetary proposals laid before the Senedd.

Recommendation 2. The Committee recommends that the Minister provides details of any significant last minute allocations made between now and the end of the financial year as a result of an agreement being reached on public sector pay awards, or for any other reason, and for such information to be provided before the First Supplementary Budget 2023-24 is laid.

Recommendation 3. The Committee recommends that the Minister continues in her efforts to persuade the UK Government to increase the size of the Wales Reserve and borrowing limits so they are at least in line with inflation, with the aim of providing sufficient flexibility, similar to that

³¹ Finance Committee, Scrutiny of the Welsh Government Second Supplementary Budget 2021-22, March 2022, Recommendation 2

³² Finance Committee, Scrutiny of the Welsh Government Draft Budget 2023-24, February 2023, Recommendation 11

afforded to local authorities, to allow prudent budgetary management from one financial year to the next in order to maximise the funding available to the Welsh Government.

3. Other Allocations

Addressing Inflation, Cost and Wage Pressures

31. The latest Office for National Statistics (ONS) inflation figures were released on 15 February 2023 and reported that Consumer Price Index (CPI) inflation was 10.1 per cent.³³ Inflation that was initially driven by imported price pressures, through increases in fuel and energy prices, which has also had a particular impact on food and construction prices.

32. Inflationary pressures have also had a significant impact on wages, which have been increasing in general terms, but not to the similar extent as prices. The latest ONS figures for average regular pay growth for the private sector was 7.3 per cent, October to December 2022, and 4.2 per cent for the public sector.³⁴

33. On 8 February 2023, the Minister for Health and Social Services announced an improved NHS pay offer, an additional 3 per cent, of which 1.5 per cent is consolidated, backdated to April 2022.³⁵ While the Wales Partnership Forum collectively narrowly accepted the pay offer,³⁶ not all unions have accepted the deal, the Royal College of Nursing are requesting direct talks with the Welsh Government³⁷ and Ambulance strikes are also continuing.³⁸

34. The Statement notes that the 2022-23 element of the offer “only remains available until the end of March”.³⁹ In addition, a further pay offer will be made to staff in Wales if an increased offer to NHS staff in England results in a positive Barnett consequential.⁴⁰

35. On 9 February 2023, the Minister for Education and Welsh Language announced an improved pay offer for teachers and headteachers.⁴¹ Teachers unions, NEU and National Headteachers, rejected the pay offer.⁴²

36. The Explanatory Note shows that allocations are included to support potential settlements for NHS Wales staff and teachers, of £120 million in Health and Social Services and £32 million in Education and the Welsh Language.⁴³

³³ [Office of National Statistics, Consumer price inflation, UK, January 2023](#)

³⁴ [Office of National Statistics, Average weekly earnings in Great Britain, February 2023](#)

³⁵ [Welsh Government, Written Statement: NHS Pay award enhancement for 2022/2023, 8 February 2023](#)

³⁶ [Welsh Government, Written Statement: NHS Pay award enhancement for 2022/2023, 28 February 2023](#)

³⁷ [Nursing Times, Nurses ‘overwhelmingly’ reject Welsh Government’s new pay offer, 28 February 2023](#)

³⁸ [GMB, Wales ambulance workers reject pay offer, 17 February 2023](#)

³⁹ [Welsh Government, Written Statement: NHS Pay award enhancement for 2022/2023, 8 February 2023](#)

⁴⁰ [Welsh Government, Written Statement: NHS Pay award enhancement for 2022/2023, 8 February 2023](#)

⁴¹ [Welsh Government, Written Statement: Update on discussions with teacher and headteacher unions, 9 February 2023](#)

⁴² [BBC, Wales strikes: Teachers reject pay offer and will take action, 15 February 2023](#)

⁴³ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 5](#)

37. When asked about the impact of inflation on the Welsh Government’s budgetary plans, the Minister told Members that:

“I think the real big challenges are related to inflation. The biggest, I think, would probably be public sector pay, and that, obviously, is directly related to inflation. And then energy costs.”⁴⁴

38. When asked about the preparations being made by the Welsh Government to support new pay deals between now and the end of the 2022-23 financial year, the Minister assured the Committee that she was prepared for either scenario, stating that:

“We knew that we had to make an allocation within the supplementary budget for those awards in this financial year, both in terms of education and health, because, if the Senedd didn't approve the funding to be there, then, obviously, we wouldn't be able to make those payments ... We are able to accommodate either situation.”⁴⁵

Supporting the NHS

39. In its Second Supplementary Budget, the Welsh Government allocates a net increase in Departmental Expenditure Limit (DEL) funding of £325.1 million to the Health and Social Services Main Expenditure Group (MEG). In its Explanatory Note, the Welsh Government identifies the support for the NHS as one of its key allocations in the Supplementary Budget.⁴⁶ As well as the funding for 2022-23 pay awards for which it has allocated £120 million for Health and Social Services, it says:

“Building on our Final Budget, this supplementary budget provides a package totalling £170m to support the NHS; and demonstrates our continued commitment as a Government to protect frontline services. £21.1m has been repurposed from other portfolios to fund this support.”⁴⁷

40. It adds that this allocation will fund “the £81 million exceptional additional energy costs which the NHS faced this winter, as a result of volatility in the market caused by the war in Ukraine”.⁴⁸ A further £89 million will “support the additional ongoing costs related to our Covid-19 response still faced by NHS organisations”.⁴⁹

⁴⁴ Finance Committee, RoP, 1 March 2023, paragraph 18

⁴⁵ Finance Committee, RoP, 1 March 2023, paragraph 54

⁴⁶ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 4](#)

⁴⁷ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 4](#)

⁴⁸ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 4](#)

⁴⁹ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 4](#)

41. All but one Local Health Board (LHB) (Swansea Bay) is forecasting a budget deficit for 2022-23.⁵⁰ This contrasts with 2021-22 when only two LHBs failed to break-even (Hywel Dda and Swansea Bay University Health Boards).⁵¹

42. When asked whether the Health and Social Care MEG is sufficient to deal with overspends made by LHBs, the Minister stated that:

“The health Minister will hold funding within her MEG to offset deficits within the NHS organisations. There are no specific allocations to the health and social services MEG to support deficits.”

43. The official accompanying the Minister provided additional assurances to the Committee, stating that “the (Health and Social Services) MEG has to have sufficient funds or sufficient budget to cover that (overspends) off”.⁵²

Responding to the War in Ukraine

44. On 13 March 2022 the First Minister of Wales, Mark Drakeford MS, and the First Minister of Scotland, Nicola Sturgeon MSP, wrote to the Secretary of State for Levelling Up, Housing and Communities proposing both governments become “super sponsors”.⁵³

45. The First Supplementary Budget 2022-23 allocated an additional £20 million from reserves as Emergency Financial Assistance for Local Government to support the response to the crisis in Ukraine.⁵⁴ The Second Supplementary budget outlines a further £91.7 million to support “our humanitarian response to the Ukraine Conflict”, provided through the Emergency Financial Assistance Budget Expenditure Line in the Finance and Local Government MEG.⁵⁵ It says it is working in partnership with local authorities in this area.⁵⁶

46. The Welsh Government paused its super sponsor route in June 2022⁵⁷. The Explanatory Note mentions increasing the number of welcome centres,⁵⁸ however, it has recently been reported that those welcome centres are set to close.⁵⁹

[Letter from the Ministers with responsibility for health and social care, 21 December 2022, page 49](#)

⁵¹ [Welsh Government, Written Statement: NHS Wales Accounts 2021-22, 17 June 2022](#)

⁵² Finance Committee, RoP, 1 March 2023, paragraph 145

⁵³ [Scottish Government, News: Ukraine refugee sponsorship, 13 March 2022](#)

⁵⁴ [Welsh Government, 1st Supplementary Budget 2022 to 2023, 21 June 2022, page 4](#)

⁵⁵ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 3](#)

⁵⁶ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 3](#)

⁵⁷ [Welsh Government, Written Statement: Update on the Homes for Ukraine scheme, 8 June 2022](#)

⁵⁸ [Welsh Government, Supplementary Budget 2022-23: Explanatory Note, 14 February 2023, page 4](#)

⁵⁹ [BBC, Ukrainian refugees: Welsh welcome centres set to close, 21 February 2023](#)

47. When asked about the funding provided in the Supplementary Budget to help local authorities with the costs of accommodating those fleeing the war in Ukraine, the Minister stated that:

“So, overall in this financial year, we’ve made £112 million available to support people arriving from Ukraine ... around £74 million of that was provided by the UK Government through its support for people arriving from Ukraine. The balance was met from our Welsh Government reserves, so that’s £20 million that was allocated ... in the first supplementary budget, and then the remainder as part of this supplementary budget.”⁶⁰

48. The Minister also explained the specific activities that the Supplementary Budget supports in this area:

“So, the funding that you see in the supplementary budget and that has been provided all through this year, in fact, supports the welcome centres and the other initial accommodation as well as the wraparound services for people to make sure that they’re supported in the first instance to register with the doctors, to make sure that they’re accessing all the support that’s available to them. We’re also funding, in this financial year, the contact centre, data platform and the arrival hubs, as well as transport costs and translation costs.”⁶¹

49. When asked if the Welsh Government plans to provide additional funding to local authorities within the Supplementary Budget to alleviate pressures in general, the Minister stated that:

“I’d just recognise that local authorities had a very good settlement—exceptionally good—of 9.4 per cent in this financial year. So, I think that they were, at least initially, well placed to meet the challenges.”⁶²

50. Despite this, the Minister also acknowledged that “some local authorities have found it hard”⁶³ to support the number of Ukrainian refugees who have wanted to settle over and above existing pressures.

⁶⁰ Finance Committee, RoP, 1 March 2023, paragraphs 105 and 106

⁶¹ Finance Committee, RoP, 1 March 2023, paragraph 127

⁶² Finance Committee, RoP, 1 March 2023, paragraph 129

⁶³ Finance Committee, RoP, 1 March 2023, paragraph 114

Committee View

51. As mentioned in the previous Chapter, the Committee notes the steps taken by the Welsh Government to ensure that funding is available within existing reserves to cover a range of scenarios relating to public sector pay between now and the end of the financial year.

52. While we welcome this prudent approach and recognise that the circumstances this year are exceptional, the Committee is concerned that, at the time of this Supplementary Budget, the key pay awards for the current financial year are still to be agreed. The Committee is particularly concerned that, notwithstanding the personal impact on public sector workers themselves, such levels of uncertainty are putting further pressures on delivery partners as they seek to understand their financial position from one financial year to the next. This has the potential to place unnecessary burdens on public sector finances and we call on the Welsh Government to proactively put in place controls to mitigate these eventualities.

53. The Committee recognises the ongoing pressures caused by inflation and the particular steps taken by the Welsh Government within this Supplementary Budget to address issues relating to rising energy costs within the NHS. However, the Committee notes with concern the forecast overspends by LHBs for the 2022-23 financial year and the difficulties they are experiencing in meeting financial targets at year-end. Although the Committee is assured that the Welsh Government is not planning to bail out LHBs this year, with any overspends funded from the Health and Social Services departmental budget, we believe the Minister can take further steps so that such situations do not arise. We therefore call on the Minister to take action so that each LHB in Wales does not exceed its funding over the rolling three-year period, as required by the National Health Service Finance (Wales) Act 2014.⁶⁴ We also welcome comments by the Welsh Government that further allocations to address these issues are not deemed necessary between now and the year-end.

54. The Committee welcomes the additional humanitarian support provided for Ukrainian refugees in both Supplementary Budgets in 2022-23 and recognises the invaluable efforts made by local authorities in providing those fleeing the war with vital support. The Committee notes the efforts made by the Welsh Government in using reserves to enhance the financial support available to support associated schemes, in addition to funds already provided by the UK Government, and further notes that the funding provided to local authorities through the settlement for 2022-23 makes them well placed to meet these challenges.

55. However, as the war enters its second year and as the nature of the services provides shifts from initial levels of support for those who wish to settle in Wales to other services, it is unclear whether local authorities are sufficiently resilient to deal with such pressures. We also note the

⁶⁴ [National Health Service Finance \(Wales\) Act 2014 \(anaw 2\)](#)

Minister's comments that some local authorities have found it hard to sustain such services and the Committee is concerned about the inconsistent manner in which such resources are provided across local government areas. We therefore call on the Welsh Government to monitor the funds it provides for this purpose to ensure that local government has appropriate levels of resources to address this evolving situation.

56. The Committee has previously called on the Minister to seek commitments from the UK Government on continued funding to support local authorities in their efforts to host Ukrainian refugees.⁶⁵ Given the importance of UK Government funding in sustaining the services required, we urge the Minister to continue pressing for such funds to be supported from central resources.

Conclusion 2. The Committee welcomes steps taken by the Welsh Government to ensure that any overspends made by Local Health Boards within 2022-23 is accommodated within the Health and Social Services departmental budget and that additional allocations for this purpose will not be required.

Recommendation 4. The Committee recommends that the Welsh Government puts controls in place to ensure that its delivery partners receive as much clarity as possible regarding their financial position from one year to the next, given that the impact of any financial implications arising from key pay awards remains unknown.

Recommendation 5. The Committee recommends that:

- measures are taken by the Welsh Government to ensure that each Local Health Board in Wales does not exceed its funding over the rolling three-year periods, as required by the National Health Service Finance (Wales) Act 2014; and
- where Local Health Boards are overspending in a single year, these should be funded from within the existing health and social services departmental budget.

Recommendation 6. The Committee recommends that the Welsh Government continues to ensure that local authorities have sufficient resources to enable them to provide support to those fleeing the war in Ukraine, irrespective of changes to funding from UK Government and also that consistent support is provided across Welsh local authorities.

⁶⁵ [Finance Committee, Scrutiny of the Welsh Government First Supplementary Budget 2022-23, July 2022, Recommendation 4](#)

Recommendation 7. The Committee recommends that the Minister continues in her efforts to ensure that sufficient levels of funding is provided by the UK Government to support the humanitarian response resulting from the war in Ukraine.

4. Directly Funded Bodies (DFBs)

57. The Supplementary Budget motion proposes a variation to the budgets of the three bodies directly funded from the Welsh Consolidated Fund (WCF).⁶⁶ The Committee considered these requests at its meeting on 31 January 2023.

Public Services Ombudsman for Wales

58. The UK Government implemented a 1.25 percentage point increase in employers' National Insurance (NI) contributions for 2022-23. This resulted in an additional annual cost of £38,000 to the Public Services Ombudsman for Wales (PSOW) which was requested via a Supplementary Budget in April 2022⁶⁷. This requested was approved by the Senedd on 12 July 2022.⁶⁸ However, the UK Government decision was reversed during the year, meaning that from 6 November 2022 the NI increase no longer applied.⁶⁹

59. The PSOW submitted a Supplementary Budget (attached at Annex A) to return £16,000 to reflect the unspent funding arising from the reversal of the increase to NI contributions from 6 November 2022 and accords with recommendation 8 of the Committee's report 'Annual Scrutiny of the Public Services Ombudsman for Wales 2023-24'.⁷⁰

Audit Wales

60. Audit Wales leases three properties in Cardiff, Penllergaer and Abergele. The 15 year lease for its Cardiff office ends in March 2023. Leases on the other two properties are due to end in the next few years. In its Estimate 2021-22, Audit Wales indicated increased capital investment in 2022-23 for anticipated office moves.⁷¹

61. Subsequently, Audit Wales outlined in its Estimate for 2022-23 that it had extended the lease on the Cardiff office by a year "to allow for a better understanding of our accommodation needs in a post-COVID world". The Estimate 2022-23 set out a capital requirement of £650,000 in 2023-24, compared to £200,000 in 2022-23.⁷²

⁶⁶ Senedd Commission, Audit Wales, Public Services Ombudsman for Wales

⁶⁷ [Finance Committee, Scrutiny of the Welsh Government First Supplementary Budget 2022-23](#)

⁶⁸ [Plenary Record of Proceedings: 12 July 2022](#)

⁶⁹ [UK Government, National Insurance increase reversed, 22 September 2022](#)

⁷⁰ [Finance Committee, Annual Scrutiny of the Public Services Ombudsman for Wales 2023-24](#)

⁷¹ [Audit Wales, Estimate 2021-22, page 12](#)

⁷² [Audit Wales, Estimate 2022-23, pages 7 and 15](#)

Office relocation

62. In September 2022, Audit Wales submitted a Second Supplementary Estimate for 2022-23 (attached at Annex B) associated with its proposed Cardiff office relocation. The Committee took evidence from Audit Wales on 22 September 2022.⁷³

63. In the letter⁷⁴ accompanying the Second Supplementary Estimate 2022-23, Audit Wales indicates that the WAO Board approved a recommendation, in July 2022, to relocate its Cardiff office to Cardiff's Capital Quarter. The Auditor General for Wales (the Auditor General) explained the reason for bringing the office move forward:

*"Our lease on Cathedral Road ends next March. We had previously contemplated seeking a one-year extension of that lease to give us a bit more time to prepare. In dialogue with the landlord, however, it became clear that that was not going to be something that was straightforward to do and would be quite expensive for us to do. And so instead we decided it was better to move at the end point of the lease, hence the request for a supplementary budget to help fund the move, rather than seeing it in the estimate that you would have for next year."*⁷⁵

64. Following hybrid working pilots and through other occupancy review, Audit Wales concluded that "a space equivalent to around half of that available at Cathedral Road is required for the future".⁷⁶ When asked how confident Audit Wales is about its future office accommodation requirement given the 10-year lease commitment, the Auditor General said:

*"...Cathedral Road is way too large. It was too large pre pandemic; it's way too big for us now. Capital Quarter is about 40 per cent less than that. So, it's a significant reduction. It's on two floors and we're looking to negotiate break clauses on both floors so that if we find that, in a few years' time, it's still too much, we have a way to reduce our footprint still further."*⁷⁷

Options considered

65. The letter noted "rigorous governance" around the Future Workplaces project, indicating that three separate iterative options appraisals were undertaken to ensure the final proposal met Audit Wales's financial savings target and ambitions for a more sustainable workplace. As well as considering whether an office was needed, Audit Wales explored three broad options:

⁷³ [Finance Committee, RoP, 22 September 2022](#)

⁷⁴ [Letter from Audit Wales, 7 September 2022](#)

⁷⁵ [Finance Committee, RoP, 22 September 2022, paragraph 191](#)

⁷⁶ [Letter from Audit Wales, 7 September 2022](#)

⁷⁷ [Finance Committee, RoP, 22 September 2022, paragraph 193](#)

- Remaining at Cathedral Road – This option was discounted due to size as well as environmental and energy performance. It was also considered to be a very expensive option, with lease costs expected to increase by 12 per cent and a capital investment requirement of £360,000 to ensure safety and compliance with legal requirements. Reducing the space utilised at Cathedral Road was still more expensive than all other shortlisted offices.
- Relocating outside of Cardiff – Options across South Wales were considered but discounted “primarily due to the lack of suitable premises of the right sizes with good environmental performance and the significant impact on staff travel”. Only Cardiff properties were shortlisted.
- Sharing office space with another public body - Audit Wales reviewed surplus space and undertook a trawl of the public estate as well as directly approaching several public bodies. No suitable options were identified, but Audit Wales does not rule this out in the longer term. Any such arrangement would need to consider the Auditor General’s independence.⁷⁸

66. Audit Wales considered and scored over 30 available properties based on:

- Meeting business needs;
- Cost;
- Environmental performance; and
- Access to public transport and parking⁷⁹

67. The letter states that the Capital Quarter office “achieved the highest overall quality score”.⁸⁰ The Head of Business Services expanded on the appraisal process:

“There were a couple of premises that had scored higher, but it actually represented increased cost. And there were a couple of premises that initially scored higher, but then we revisited them and they ended up scoring less after we delved a bit deeper. Ultimately, we longlisted nine premises that we then got down to a shortlist of three, and Capital Quarter scored highest of those three across all of the quality areas that we had reviewed. It scored slightly higher in terms of cost, but it was only marginal over the life of the lease, but

⁷⁸ [Letter from Audit Wales, 7 September 2022](#)

⁷⁹ [Letter from Audit Wales, 7 September 2022](#)

⁸⁰ [Letter from Audit Wales, 7 September 2022](#)

there were other reasons for discounting the other two remaining and those related to impact and environment.”⁸¹

Costs, savings and benefits

68. The Second Supplementary Estimate 2022-23 seeks:

- **£575,000 increase in capital resource and associated cash** – comprising £405,000 fit out and environmental upgrades, £60,000 relocation and set up costs, £40,000 Land Transaction Tax, £40,000 legal and professional fees and £30,000 additional staff costs.
- **£100,000 increase in revenue resource and associated cash**, including £60,000 for rental costs of the new office from December 2022.
- **£2,850,000 estimated increase in resource (non-cash)** to reflect the impact of a new accounting standard for leases, International Financial Reporting Standard 16 (IFRS 16).⁸²

69. This would increase the net cash requirement from £8.7 million to £9.4 million and the resource requirement from £8.3 million to £11.8 million in 2022-23.

70. The Head of Business Services confirmed that, of the £100,000 increase in revenue resource, the remaining £40,000 relates to estate agent fees, additional consultancy support and legal services for all premises, including the process of potentially renewing the lease on the Penllergaer office for an additional two-year period.⁸³

71. The Second Supplementary Estimate includes resource (non-cash) adjustments for IFRS 16. The estimated impact is £2,850,000 in 2022-23, which includes a provision for future structural dilapidations. The Executive director of Corporate Services described the implications of the IFRS 16 adjustment associated with the new lease on Audit Wales’s accounts and future Estimates:

“...IFRS 16 requires us to record what are called right-of-use assets on our balance sheet. So, to all intents and purposes, that means our leases. So, we now have to capitalise the value of the lease and then depreciate that over the life of the lease... The new cost of capitalising the lease in Capital Quarter is set out in that second supplementary estimate. It's worth saying then, going forward, the impact is pretty minimal, as the depreciation and interest costs are pretty much offset by the actual lease costs for Capital Quarter. So, if we look in terms of our accounts for future years, the impact is probably around

⁸¹ [Finance Committee, RoP, 22 September 2022, paragraph 210](#)

⁸² [Letter from Audit Wales, 7 September 2022](#)

⁸³ [Finance Committee, RoP, 22 September 2022, paragraphs 243, 245 and 248](#)

£30,000 non-cash per annum, and that relates to us establishing a new dilapidations provision for that building, and then writing that off over the period of the lease... ”⁸⁴

72. The relocation will also necessitate a maximum increase of £650,000 cash requirement to cover dilapidations costs for the Cathedral Road office in 2023-24. The Executive Director of Corporate Services stressed that the dilapidations figure of £650,000 covers the whole estate, not just Cathedral Road, and dilapidations are a contractual requirement under the lease. He said it was difficult to indicate dilapidations cost for Cathedral Road due to ongoing negotiations with the landlord, adding:

“Of course, we'll look to reduce the dilapidations to the lowest possible level. We'll be carrying out a very thorough review of the dilapidations provision, and the dilapidations schedule, I should say, and also looking to see what work we've already carried out at Cathedral Road that, again, could offset any of that.”⁸⁵

73. The Auditor General agreed to provide further details on the actual dilapidations cost for Cathedral Road once known.⁸⁶

74. In October 2020, the WAO Board set a savings target of at least £1 million over five years for its Future Workplaces project.⁸⁷ The letter refers to a target, of 20 per cent annual savings or around £180,000, and states that the proposed move will exceed that target, delivering annual estimated savings of £220,000 on future accommodation costs.⁸⁸

75. The Head of Business Services explained that it is not yet possible to indicate where the savings will fall due to ongoing negotiations. However, she suggested that payback would be achieved within a three year period, adding:

“...the one thing that may impact upon that would be the increasing electricity costs currently that we're aware of, and we may also consider rentalising a small proportion as well, but we expect that it would still be within a three-year period with that.”⁸⁹

76. The Auditor General outlined the implications for Audit Wales if the funding requested in the Second Supplementary Estimate was not approved:

⁸⁴ [Finance Committee, RoP, 22 September 2022, paragraph 256](#)

⁸⁵ [Finance Committee, RoP, 22 September 2022, paragraphs 252-253 and 261](#)

⁸⁶ [Finance Committee, RoP, 22 September 2022, paragraph 267](#)

⁸⁷ [Audit Wales, Estimate 2021-22, page 5](#)

⁸⁸ [Letter from Audit Wales, 7 September 2022](#)

⁸⁹ [Finance Committee, RoP, 22 September 2022, paragraphs 243, 245 and 248](#)

“We have to have an office. We would be able to do so. What would it mean in the short term? It would mean that we would look to utilise, essentially, all of our existing capital budget. So, everything else that we are looking to spend capital funds on, I don't think that we would be able to this year. We, I suspect, would not be able to move into a fully operational building on day one. So, that would obviously have consequences for our utilisation of that space. I suspect that we therefore would also incur some costs hiring other facilities in the short term for staff to come together. Inevitably, it would then be reflected in our future estimates, because we would want to do those capital works in the new premises as soon as possible.”⁹⁰

National Insurance

77. In relation to the reversal of the increase to employers’ National Insurance contributions from 6 November 2022, Audit Wales notified the Committee that it intends to return unspent funding at the end of the financial year:

“We have estimated that the savings related to changes in the National Insurance contributions will amount to £51,000 in 2022-23. We are working hard to realise our income projections for the year though this has been affected recently due to higher than anticipated levels of Covid-related sickness. It would be further affected if industrial action takes place before the year-end. With these caveats in mind, it is our intention to return this, along with any other unspent funds at the end of the financial year.”⁹¹

Senedd Commission

78. The Senedd Commission submitted its draft Second Supplementary Budget for 2022-23 to the Committee on 24 January 2023.⁹² It confirmed that the Commission is proposing an overall reduction of £1.1 million to its budget for 2022-23, comprising the following:

- A decrease of £130,000 in the overall budget and net cash requirement, to reflect the reversal of the increase in employer National Insurance contributions from 6 November 2022 and a decrease of £100,000 in the overall budget to reflect an anticipated reduction in the provision for accrued annual leave.
- Reduction to the budget identified for the Independent Remuneration Board’s Determination on Members’ Pay and Allowances – a decrease of £695,000 (£750,000

⁹⁰ [Finance Committee, RoP, 22 September 2022, paragraph 272](#)

⁹¹ [Audit Wales, Response to the Finance Committee’s Annual Scrutiny of the Wales Audit Office, Recommendation 15](#)

⁹² [Letter from Senedd Commission, 24 January 2023](#)

including £55,000 of employer National Insurance contributions) in the overall budget and net cash requirement to reflect an anticipated underutilisation of the 2022-23 budget.

- Reduction in the budget to support the administration of the Independent Remuneration Board and the Office of the Standards Commissioner – a decrease of £150,000 in the overall budget and net cash requirement to reflect an anticipated underutilisation of the 2022-23 budget.
- International Financial Reporting Standard (IFRS) 16 – Leases – an additional adjustment to reflect the accounting requirements of IFRS 16. There is no change in the overall budget and no change in the net cash requirement.

79. The Commission’s decision to return funding allocated for employer National Insurance contributions is consistent with commitments made by the Commission during the scrutiny of its Draft Budget for 2023-24 in October 2022.⁹³

80. In accordance with Standing Order 20.32, following the Committee’s consideration of the Commission’s proposals, the Commission laid an explanatory memorandum noting the supplementary budget and stating why it is required.⁹⁴

Committee view

81. The Committee welcomes the PSOW’s Supplementary Budget which returns £16,000 to the Welsh Consolidated Fund to reflect the unspent funding arising from the reversal of the increase to National Insurance contributions from 6 November 2022. This accords with recommendation 8 in the Committee’s report on the Annual Scrutiny of the Public Services Ombudsman for Wales 2023-24.

82. The Committee notes the funds requested to facilitate Audit Wales’s proposed Cardiff office relocation and is grateful for the detail outlined in the Explanatory Memorandum, accompanying letter and the subsequent evidence provided. The Committee recognises that the proposed office move will deliver significant savings on running costs and improve environmental performance. The inclusion of a lease break to ensure the accommodation continues to meet evolving business needs is also welcomed. Given the timescales involved in relocating the Cardiff Office, the Committee agreed in principle to the funding request in September 2022. The move involves a

⁹³ [Finance Committee, Scrutiny of the Senedd Commission Draft Budget 2023-24, October 2022, paragraph 68](#)

⁹⁴ [Senedd Commission, Welsh Parliament Second Supplementary Budget 2022-23 - Explanatory Memorandum, 2 February 2023](#)

large amount of additional funding and the Committee expects to see efficiencies demonstrated through future estimates.⁹⁵

83. The Committee notes the proposed reductions to the Senedd Commission's budget for 2022-23, and welcomes that the approach to return funding earmarked for employer National Insurance contributions is consistent with commitments made by the Commission during the Committee's scrutiny of its 2023-24 draft budget in October 2022.

Conclusion 3. 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.

⁹⁵ [Letter to Audit Wales, 26 September 2022](#)

Public Services Ombudsman for Wales

2nd Supplementary Budget Motion 2022/23

Explanatory Memorandum to the Chair of the Finance Committee

This Supplementary Budget submission has been completed consistently with Standing Orders 18A.2 and 20.36 of the Welsh Parliament dated September 2022.

Background

The UK Government implemented a 1.25% increase in employers' National Insurance contributions for 2022/23. This resulted in an additional annual cost of £38k to PSOW which we requested via a Supplementary Budget in April 2022. This was approved.

However, the UK Government decision was reversed during the year, meaning that from 6 November 2022 the increase would no longer apply. This Supplementary Budget returns the unspent funding that relates to the period November 2022 to March 2023 and accords with recommendation 8 of the Committee's Annual Scrutiny of the Public Services Ombudsman for Wales - November 2022.

Variation of Resources Sought

We propose a variation to the annual budget motion in compliance with Standing Order 20.36 in respect of:

- A reduction of £16k to reflect the unspent funding arising from the reversal of the increase to employers' National Insurance contributions from 6 November 2022.

The impact of this change is shown in the attached table.

2nd Supplementary Budget 2022/23

PSOW Expenditure	Budget Laid (1 st Supp) £000s	Changes £000s	Revised Budget (2 nd Supp) £000s
Staff salaries and related costs	4,222	(16)	4,206
Premises and facilities, including leases	171		171
Professional fees	234		234
IT costs	250		250
Office costs	119		119
Travel, training and recruitment	60		60
Communications	65		65
Total Revenue Expenditure	5,121	(16)	5,105
Total Income	(19)		(19)
Net Revenue Expenditure	5,102	(16)	5,086
Capital Expenditure	5		5
Total Resources Required	5,107	(16)	5,091
Depreciation and amortisation charges	70		70
Depreciation – leased assets	204		204
Interest charges – IFRS 16	7		7
Total Resource Expenditure	5,388	(16)	5,372
Depreciation – total	(274)		(274)
Interest charges – IFRS 16	(7)		(7)
Change in working capital – IFRS 16	198		198
Other non-cash movements	20		20
Cash Requirement from WCF	5,325	(16)	5,309

Explanatory Memorandum to the Finance Committee Regarding the Variation of the Estimate of the Wales Audit Office for the Year Ending 31 March 2023

Issued: September 2022

Document reference: 3139A2022

Submitted to the Finance Committee of the Senedd for consideration under Standing Order 20.35.

Adrian Crompton
Auditor General for Wales

Lindsay Foyster
Chair, on behalf of the **Wales Audit Office**

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Explanatory memorandum

Introduction

- 1 For each financial year, the Wales Audit Office must submit an annual estimate of its income and expenditure to the Finance Committee of the Senedd. The responsible committee must examine that Estimate and lay it before the Senedd after making any amendments that it considers appropriate.
- 2 The Estimate for the Wales Audit Office for 2022-23 was included in the Welsh Government's Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 8 March 2022 following scrutiny by the Finance Committee.
- 3 The budget motion authorised the Wales Audit Office to retain £15.082 million of accruing resources, generated through fees charged to audited bodies, and supplied a further £8.608 million of other resources in support of our expenditure plans for the year. Together, this £23.69 million is used to fund the costs of the Wales Audit Office in delivering its duties under the Public Audit (Wales) Act 2013.
- 4 In June 2022, an Explanatory Memorandum to the Finance Committee reduced the call on other resources by £354,000 associated with changes to our travel and subsistence arrangements in 2021-22 and the implementation of International Financial Reporting Standard 16 – Leases (IFRS 16).
- 5 The Wales Audit Office now seeks to further amend the approved Estimate for the year ending 31 March 2023.

Reason for change

Changes to our office accommodation

- 6 Audit Wales has long acknowledged that the cost of our Cardiff office could not be justified given low rates of occupancy pre pandemic. In July 2022, following a detailed options appraisal, the Wales Audit Office Board agreed a recommendation to relocate the Cathedral Road office to significantly smaller premises in Cardiff's Capital Quarter.
- 7 Options considered included whether any office space was required in the future and whether there was a case to locate the office outside of Cardiff. Taking into account experience from our own pilot projects and that of other UK audit bodies, we agreed that office space was required to allow our audit teams to work more effectively, but that a smaller space would be more cost effective. The lack of suitable accommodation outside of Cardiff along with the cost and environmental impact of staff travel meant that a new office in Cardiff was the preferred option.
- 8 This move will deliver significant financial savings, will improve our environmental performance and meet our evolving business needs for modern and smarter working. We plan to make this move in March 2023.

- 9 Annual savings of around £220,000 are expected from this move. To achieve these savings, upfront investment in required fit-out of the Capital Quarter office will be required in the current financial year.
- 10 Estimated savings, as compared to remaining in the Cathedral Road office, are set out below. Based on these estimates, the initial investment will be recouped in less than three years.
- 11 Remaining in Cathedral Road would also require investment in essential safety enhancements but would not deliver future savings.

Exhibit 1: estimated savings

	Cathedral Road			Capital Quarter		
	2022-23	2023-24	Ongoing	2022-23	2023-24	Ongoing
Capital Investment	–	360	–	575	–	–
Running costs	874	930	930	100	710	710
Net	874	1,290	930	675	710	710
Cost/Saving				675	(580)	(220)

- 12 In addition, the Capital Quarter premises are rated very good by BREAAAM (Building Research Establishment Environmental Assessment Method) and have an Energy Performance Certificate (EPC) rated B for their environmental performance. We have reviewed expected benefits and estimated energy emissions savings to be in the region of £100,000 (excluding fixed charges) net present social value and 265 tonnes of CO₂e (greenhouse gas emissions). The location will also improve use of public transport being close to Cardiff Central and Queen Street Stations and help encourage greener travel, as we work towards our collective aim for net zero. Its proximity to a traffic-free cycle and walking route, and cycles for hire and shower facilities will also encourage and promote active travel.

Adjustments to resource budgets

- 13 As explained above, the Wales Audit Office is seeking to increase its capital and revenue resources for 2022-23 by £575,000 and £100,000 respectively and its net cash requirement by £675,000.
- 14 A non-cash adjustment in respect of IFRS16 of £2,585,000 is also required – this is for accounting purposes only.
- 15 The associated budget changes for 2022-23 are set out in **Exhibit 2**.

Exhibit 2: budget changes 2022-23

	First Supplementary Estimate 2022-23 £'000	Second Supplementary Estimate 2022-23 £'000	Revised Estimate 2022-23 £'000
Revenue resource	7,944	100	8,044
Capital resource	310	575	885
Capital resource (IFRS16)	–	2,850	2,850
Accruing resources	15,082	–	15,082
Total expenditure	23,336	3,525	26,861
Net cash requirement	8,684	675	9,359

Appendix 1

Summary of the 2022-23 budget requirements for inclusion in the Welsh Ministers' Supplementary Budget Motion under section 126 of the Government of Wales Act 2006

Under section 126 of the Government of Wales Act 2006 (the 2006 Act), Ministers may move a Supplementary Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the Consolidated Fund for certain relevant persons, including the Wales Audit Office.

In respect of the services and purposes of the Wales Audit Office in the year ending 31 March 2023, the Budget Motion will authorise:

- the amount of resources to be used by the Wales Audit Office;
- the amount of resources accruing to the Wales Audit Office which may be retained (rather than paid into the Consolidated Fund); and
- the amount which may be paid out of the Consolidated Fund to the Wales Audit Office.

These requirements, which due to the variability of income streams can only be estimates, are summarised in **Tables 1 and 2** below.

Table 1: summary of the estimated 2022-23 budget requirements

	£'000
Resources other than accruing resources for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office, the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office:	
• Revenue	8,044
• Capital	3,735
Accruing resources from fees and charges for audit and related services; other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences and provision of administrative and professional and technical services for use by the Wales Audit Office on related services and the administration of the Wales Audit Office.	15,082
Net cash requirement from the Consolidated Fund to meet the net amounts falling due for payment in the year by the Wales Audit Office.	9,359

Table 2: reconciliation of resource requirement to cash drawing requirement from the WCF

	First Supplementary Estimate 2022-23 £'000	Second Supplementary Estimate 2022-23 £'000	Net change £'000
Net request for resources – revenue and capital	8,254	11,779	3,525
Non-cash adjustment – depreciation and interest charges	(704)	(704)	–
Lease rental payments	424	424	–
Non-cash adjustment – movements in working capital	710	710	–
Non-cash adjustment IFRS16	–	(2,850)	(2,850)
Net cash requirement from the WCF to meet the net amounts falling due for payment in the year by the Wales Audit Office	8,684	9,359	675



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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.