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Supplementary Estimate of Income and Expenditure of the Wales Audit Office for the Year Ending 31 March 2012

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Submitted to the Public Accounts Committee of the National Assembly for Wales for
examination under Paragraph 12 of Schedule 8 of the Government of Wales Act 2006

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Introduction

- 1** My budget, as Auditor General, is determined after the Public Accounts Committee (PAC) has examined my annual estimate of income and expenditure and laid it before the National Assembly.
- 2** Following examination by the PAC on 11 November 2010, my original annual estimate for the 2011-12 financial year was laid before the National Assembly on 22 November 2010.
- 3** As I outline below, I wish to make amendments to this original estimate and invite the PAC to examine and lay this estimate of my income and expenditure for the year ending 31 March 2012.

Purpose of this Supplementary Budget Motion

- 4 I wish to amend my original estimate of my net resource requirement of £4,853,000 for 2011-12 and of my estimate of my associated cash need from the Welsh Consolidated Fund of £4,753,000. Resource differs from cash as it takes account of non-cash transactions (eg, asset depreciation) and the impact of debtors and creditors on income and expenditure. I am seeking to do this in order to correct for the treatment of capital expenditure in my original estimate and to provide more information about how resources originally requested are being used. These amendments follow lessons learned in preparing our 2010-11 accounts and are supported by recommendations made by the Auditor General for Scotland and the National Audit Office.
- 5 In addition, I am seeking to increase my original resource request by £550,000 to £5,403,000 in order to further reduce my staff costs through a voluntary severance scheme. My accounts for 2010-11 show unused resource of £569,000 and I am not therefore seeking additional resources across the two years. My net resource request actually represents a slight reduction of £19,000 in overall terms. In cash terms, my accounts for 2010-11 show £629,000 as payable to the Welsh Consolidated Fund. I am seeking to use £550,000 of this cash that would otherwise be returned to fund the voluntary severance scheme, with the balance of £79,000 being repaid.
- 6 Further information on each of these issues is provided below.

Capital expenditure

- 7 My original 2011-12 estimate of income and expenditure did not separately identify any capital expenditure. I estimate that I will incur £50,000 of capital expenditure in 2011-12, and that £20,000 of that expenditure will be funded by the net resource requirement of £4,853,000 previously approved by the National Assembly within the original Annual Budget Motion for 2011-12; the balance will be funded from fee income.
- 8 Within this supplementary estimate, £20,000 that was classified as revenue expenditure in the original estimate is therefore being reclassified as capital expenditure. This technical adjustment has no net impact on the total level of resource for the Auditor General that was approved in the original 2011-12 Budget Motion.

Request for additional resource

- 9 I outlined in my original estimate for 2011-12 certain measures that I had already taken to reduce staff costs, including a workforce planning project, not filling all vacant posts, and a voluntary severance scheme.
- 10 We invested approximately £1,000,000 in the voluntary severance scheme under which staff left the Wales Audit Office during the course of 2010-11. By the end of 2011-12, the full cost of this scheme will have been recovered with part year savings in 2010-11 of £357,000, full year savings of £797,000 in 2011-12 and additional savings in future years. I have now identified scope to further reduce the staff

costs of the Wales Audit Office through a new voluntary severance scheme. This scheme will be extended to all staff and will include both voluntary severance and changes to working patterns in order to secure maximum flexibility in the deployment of the workforce. It will also support the restructuring of our performance audit team to shape our work for a changed external environment and to enhance our delivery.

- 11 I estimate that the total cost of this new voluntary severance scheme in 2011-12 will be around £800,000 and will result in recurring savings of at least £200,000 per annum and a skill mix more aligned to future work demands. The cost of the scheme will be recovered within three to four years, and will then generate ongoing savings. My ability to realise these savings is dependent on there being sufficient staff interest in the scheme.

- 12 I estimate that I can provide £250,000 to fund this scheme from within my existing budget for 2011-12, but will require £550,000 of additional resources to fund fully the proposed scheme.

- 13 My audited accounts for 2010-11 showed unused resource of £569,000 and a cash balance for payment into the Welsh Consolidated Fund of £629,000. In overall terms across 2010-11 and 2011-12, I am therefore requesting a slight reduction of £19,000 in net resources.

Analysis of my net request for resources

- 14 I provide in [Table 1](#) for the PAC's information my updated estimate of how the net resource approved for 2011-12 will be used.

Table 1 - Estimate of use of approved net resource requirement

	£'000
Value for money examinations and studies by the Auditor General	1,635
Working with others to share learning, including provision of the Good Practice Exchange	200
Providing support to the PAC and other National Assembly committees	250
Responding to issues that have been brought to our attention through correspondence from the public, elected representatives and others	80
Granting approvals to draw from the Welsh Consolidated Fund	15
Contributions to the following activities:	
• Staff training and development	850
• IT infrastructure	850
• Technical support, research and development	500
• Business development and improvement	453
Capital expenditure (see Paragraph 5 above)	20
Original request	4,853
Additional request – voluntary severance scheme	550
Revised request	5,403

Summary

- 15 I provide in [Table 2](#) a summary of the resources I am requesting through this Supplementary Motion and in [Table 3](#) a reconciliation of the impact on my net cash requirement on the Welsh Consolidated Fund.

Table 2 - Summary of resource requests

	Revenue resource £'000	Capital resource £'000	Total resource £'000
Original estimate	4,853	0	4,853
Transfer from revenue to capital	(20)	20	0
Additional request to fund voluntary severance scheme	550	0	550
Revised estimate	5,383	20	5,403

Table 3 - Reconciliation of net cash requirement

	£'000
Original estimate	4,753
Additional requirement	550
Revised estimate	5,303

Appendix 1 - Summary of 2011-12 budget requirements for inclusion in the Welsh Ministers' Budget Motion under Section 125 of the Government of Wales Act 2006

Under Section 125 of the Government of Wales Act 2006 (the 2006 Act), Ministers must move a Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the Welsh Consolidated Fund for certain relevant persons, including the Auditor General. The Auditor General's budget is determined, under Paragraph 12 of Schedule 8 to the 2006 Act, after the PAC has examined his annual estimate of income and expenses, and laid it before the National Assembly.

In respect of the services and purposes of the Auditor General in the year ending 31 March 2012, the Budget Motion will authorise:

- the amount of resources to be used by the Auditor General;
- the amount of resources accruing to the Auditor General which may be retained by him (rather than paid into the Welsh Consolidated Fund); and
- the amount which may be paid out of the Welsh Consolidated Fund to the Auditor General.

These requirements, which due to the variability of income streams can only be estimates, are summarised in [Table 4](#) below.

Table 4 - Summary of the estimated 2011-12 budget requirements

	£ million
Resources other than accruing resources for use by the Auditor General on the administration of the Wales Audit Office, and the discharge of the statutory functions of the Auditor General and local government appointed auditors. ¹	5.403
Accruing resources from fees and charges for audit and related services (excluding income under Part 1 and Section 33 of the Local Government Act 1999, Part 2 of the Public Audit (Wales) Act 2004 and Part 1 of the Local Government (Wales) Measure 2009), other recoveries of costs associated with the functions of the Auditor General, miscellaneous income from publications, conferences, provision of administrative and professional and technical services etc, recoveries of costs of seconded staff, repayments of staff loans, recoveries of car leasing payments, and interest received on working balances fees for use by the Auditor General on related services and the administration of the Wales Audit Office. ²	8.024
Net cash requirement from the Welsh Consolidated Fund to meet the net amounts falling due for payment in the year by the Auditor General. ³	5.303

¹ This is the net revenue and capital expenditure in resource terms that the National Assembly will be requested to authorise by Budget Motion under Section 125(1)(a) of the 2006 Act.

² This is the income accruing to the Auditor General (other than that arising from local government activities) that the National Assembly will be asked to authorise by Budget Motion under Section 125(1)(b) for use on related services rather than being paid into the Welsh Consolidated Fund.

³ This is the cash needed from the Welsh Consolidated Fund to meet the Auditor General's estimated net payments (payments less receipts) falling due in the year for authorisation by the National Assembly by Budget Motion under Section 125(1)(c) of the 2006 Act.

Table 5 - Reconciliation of resource requirement to cash drawing requirement from the Welsh Consolidated Fund

	2010-11 £ million	2011-12 £ million
Net request for resources	5.047	5.403
Movement in year-end debtors and work in progress, creditors and provisions, and deferred income	0.227	0.100
Capital charges (depreciation)	(0.200)	(0.200)
Net cash requirement	5.074	5.303

In addition to the amounts shown in [Table 4](#), the Auditor General accrues resources from local government activities under Part 1 and Section 33 of the Local Government Act 1999, Part 2 of the Public Audit (Wales) Act 2004 and Part 1 of the Local Government (Wales) Measure 2009, which he is permitted to retain for use in connection with the exercise of functions under those statutory provisions. During 2011-12, these are estimated to amount to £11.379 million (2010-11: £11.920 million). Under Paragraph 9(3) of Schedule 8 to the 2006 Act, the Auditor General is authorised to retain such income rather than paying it into the Welsh Consolidated Fund. As in previous years, it does not therefore form part of the amount to be authorised by Budget Motion under Section 125(1)(b) of the 2006 Act, but is included for information.