

Public Services Ombudsman for Wales

Estimate 2024/25

1. Introduction

- 1.1 This Estimate submission for 2024/25 has been prepared for consideration by the Senedd Finance Committee. The office's Annual Report & Accounts for 2022/2023 provide details of activities and achievements in that year. The Estimate has been prepared in the context of the [Strategic Plan 2023–2026: A new chapter](#) which sets the direction of the office for the next 3 years.

2. Executive Summary

- 2.1 We have prepared our Estimate to reflect the Strategic Aims set out in our Strategic Plan. In summary, the Resource and Cash requirements are £6,358k and £6,344k respectively. This is an overall cash increase of £490k. The increase is made up as follows:

	£000	£000	%
April 2024 pay award and staff increments	235		
Other cost and price increases	235		
Less efficiencies to cover staff increments	(34)		
Total increase in cost of business as usual		436	(7.4%)
Investment in strategic priorities – staff	120		
Less amount to be funded by efficiency savings	(66)		
Balance sought for investment		54	(0.9%)
Total		490	

- 2.2 £235k is required to meet the staff-related cost pressures from the April 2024 pay award (£201k for an award estimated at 5%) and committed staff increments (£34k). £201k arises from the local government pay award, which our staff receive under their contracts of employment. We are not party to these pay award negotiations, and the pay award is therefore outside our control. In addition, the cost of staff increments (£34k) is an additional pressure but we will cover this through efficiencies in other areas of the budget.
- 2.3 £235k is required to help us meet the cost of price inflation covering the range of non-staff expenditure across the budget.
- 2.4 We are seeking two additional members of staff (+£120k): one caseworker and one data analyst to help us make good use of the data we hold about the complaints we receive and the complaints standards data we receive about complaints received by public bodies. Specifically, this post will enable more intelligent use of data to support prioritisation of caseload, identify systemic and thematic issues arising from our complaints and better inform our service improvement work. This is to be more than

half-funded by cash-saving efficiencies of £66k which we will make across most of our non-pay budgets.

- 2.5 These efficiencies are in addition to both past and future volume efficiencies ('doing more with the same') as a result of not increasing our staff numbers in proportion with the increases in casework that we are continuing to experience (see section 6). Whilst these efficiencies do not generate cash savings, they reflect real efficiencies made.
- 2.6 We make no charge for our services and receive no fee income. We charge at cost for the provision of payroll services to the Future Generations Commissioner and for the part-time staff secondment to the Ombudsman Association. We are therefore entirely dependent on funding from the Welsh budget, following the recommendations of the Senedd Finance Committee.
- 2.7 We are mindful of the huge pressure that public finances are under and the difficulties this presents in balancing the demand for public services and the funding available. Whilst PSOW remains ambitious, it has phased its work over the next few years, to reflect the anticipated limitations of public sector finance. In particular, investment in technology has been paused until savings from our property rationalisation are fully delivered, releasing funding for reinvestment.
- 2.8 The continued increase in caseload, and the pressure being placed on the well-being of our workforce as a result, has led us to include a modest investment in additional staff in this budget estimate, and this is our clear priority for 2024/25.
- 2.9 While we fully appreciate the difficult choices that will have to be made by the Senedd in setting next years' budget, we need to be clear that this is not the year to reduce funding to PSOW. The pressure on public services which has prevailed for some time is set to continue and intensify and this makes our role all the more essential. If our funding, and consequently our services, are cut this will result in fewer people being able to access our service which inevitably means that more vulnerable people and those who have suffered injustice, from service failure and maladministration, will not have their voices heard. Opportunities for learning and service improvements will simply not be achieved.
- 2.10 The proposed budget ambit is shown in Appendix A.

3. 2023/24 Update

- 3.1 After research and wide consultation, we published our new Strategic Plan in April 2023. It sets out our vision and ambition for public services in Wales. It also sets four new Strategic Aims:
1. Delivering justice with a positive impact for people and public services
 2. Increasing accessibility and inclusion
 3. Increasing the impact of our proactive improvement work
 4. Ensuring that we are a healthy, efficient and accountable organisation.

- 3.2 We have developed new Key Performance Indicators (KPIs), which will help us drive even better performance, influence change and capture more accurately the impact of our work. We have a new Business Plan in place capturing key actions that will help us meet our Strategic Aims.
- 3.3 Last year, we were concerned that the National Nosocomial Covid-19 Programme to investigate the hospital acquired Covid cases was likely to result in many of these cases being referred to the Ombudsman. To manage this risk, we made internal arrangements to oversee handling of such complaints and prepared a factsheet on our approach. We engaged with the Welsh Government and health boards and shared the learning from cases we had considered. The actual number of nosocomial Covid complaints reaching the Ombudsman remains small at the moment, though we will continue to monitor this closely.
- 3.4 Caseload pressures are a cause for concern, with staff health and wellbeing increasingly affected by growing numbers of complaints without an increase in resources to consider them. Under our new Strategic Plan, we will continue to work to identify opportunities to increase efficiency. We will also review and improve the measures we have in place to support staff and provide a healthy workplace. The continued growth in the number of complaints, together with the increasing complexity of the complaints we receive, is putting additional pressure on staff – and staff feedback shows a significant rise in concerns about workload and reduced satisfaction with PSOW as a place to work.
- 3.5 In the current year (and as previously notified to the Committee in previous Estimates, our Supplementary Budget submission in May 2023 and in-year correspondence), there remain two significant financial uncertainties:
- The April 2023 local government pay award, which applies to our staff under their contracts of employment. The initial PSOW Estimate for 2023-24 allowed 3% for the April 2023 pay award. The National Employers for local government services in England, Wales and Northern Ireland made an offer of around 5% which has been rejected by trade unions who are seeking 12.7%. Since pay award costs are outside the Ombudsman's control, a Supplementary Budget was submitted and subsequently approved. This provided for a pay award of up to 7.9%. The current position is unchanged – trade unions have balloted for strike action; some are now taking strike action and the pay award remains unresolved. If the actual pay award is above 7.9%, we will work to contain the additional cost as far as possible but might need to submit a further Supplementary Budget.
 - The ongoing Code of Conduct case, where leave to appeal the decision of the Adjudication Panel for Wales in the High Court has been sought (by the former Councillor involved). The decision on permission has been delayed and the outcome remains uncertain. The amount of any potential liability in terms of legal costs is unknown.

3.6 Recognising the substantial pressures from increasing casework and constrained public finances in Wales, early this year we commissioned Perago Wales to undertake a short advisory project with us to review our service processes, identify scope for efficiency and service improvement and make recommendations for our future IT & Digital Strategy. This valuable piece of work made recommendations for incremental changes that cumulatively will help continue the efficiency improvements achieved in recent years. These include improving how we display and understand the status of current cases and improving our processes for securing clinical advice. The work recommended a number of areas for inclusion in our IT & Digital Strategy, including investment in technology and capacity to improve use of data to inform our work, management of increasing caseloads and help identify thematic and systemic issues to inform service improvement.

4. Casework Pressures

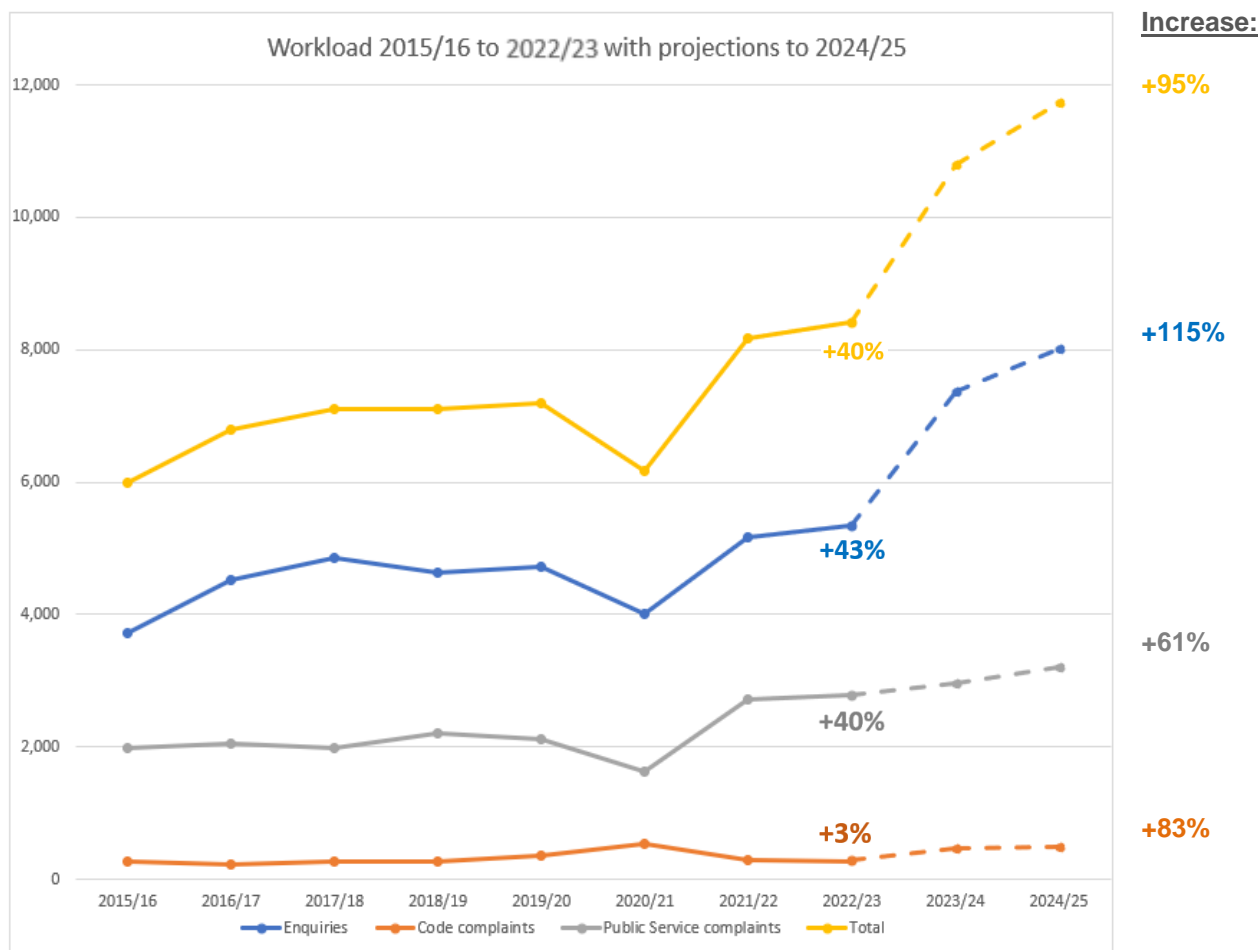
- 4.1 Last year (2022/23) we received the highest ever number of public service complaints. This reflects pressures on public services, particularly health services, and public dissatisfaction with those services.
- 4.2 In the current year (April to August 2023) we have seen further increases in our overall workload from enquiries and complaints. New maladministration enquiries and Code pre-assessments are up 38% ('Enquiries' in Table 1), new Code of Conduct complaints are up 64% and public service complaints received are up 6%.
- 4.3 The Explanatory Memorandum for the Public Services Ombudsman (Wales) Act 2019 anticipated annual increases of between 5% and 12%. Whilst the annual increases have been towards the lower end of this range, they amount to an overall increase of **between 89% and 102% in total casework** for the period (2015/16 to 2024/25 (projected)). In that time, the number of casework staff has increased by **only 13%**.

Year	Enquiries received	Code of conduct complaints received	Public Service complaints received	Totals
2015/16	3,731	276	1,992	5,999
2016/17	4,512 (+21%)	236 (-14%)	2,056 (+3%)	6,804 (+13%)
2017/18	4,861 (+8%)	270 (+14%)	1,983 (-4%)	7,114 (+5%)
2018/19	4,627 (-5%)	282 (+4%)	2,207 (+11%)	7,116 (-)
2019/20	4,726 (+2%)	365 (+29%)	2,109 (-4%)	7,200 (+1%)
2020/21	4,006 (-15%)	535 (+47%)	1,638 (-22%)	6,179 (-14%)
2021/22	5,158 (+29%)	294 (-45%)	2,726 (+66%)	8,178 (+32%)
2022/23	5,350 (+4%)	283 (-4%)	2,790 (+2%)	8,423 (+3%)
2023/24 (projected YTD)	7,383 (+38%)	464 (+64%)	2,957 (+6%)	10,804 (+28%)
2024/25 (projected at 5%)	7,752 (+5%)	487 (+5%)	3,105 (+5%)	11,344 (+5%)
2024/25 (projected at 12%)	8,269 (+12%)	520 (+12%)	3,312 (+12%)	12,101 (+12%)

Table 1: Workload 2015/16 to 2022/23 with projections to 2024/25 – see note below.

Note: For 2023/24 our projections are based on current year to date (YTD) figures as detailed in 4.2 above. For 2024/24 we have shown both the 5% and 12% increases, in line with the increases anticipated in the Explanatory Memorandum to the 2019 Public Services Ombudsman (Wales) Act.

4.4 Graph 1 below shows past, current and projected numbers of enquiries and complaints. 2022/23



Graph 1: Workload 2015/16 to 2022/23 with projections to 2024/25

Note: For illustrative purposes we have used the midpoint of the 5% and 12% projected increases for 2024/25.

4.5 The cumulative effect of ongoing annual increases is substantial. We seek to provide timely, empathetic and appropriate outcomes to complaints. However, these casework pressures reflect the very real concerns of residents of Wales and increasing caseloads risk delaying resolution and prolonging distress. Concerningly, the pressures of increased caseload are such that 40% of public service complaints currently being investigated have been with the Ombudsman for more than 12 months. Whilst it may currently be unavoidable, that level of delay is not one that anyone should be comfortable with. Each complaint brings with it a real human impact for complainants. Delay compounds and extends that impact. These delays also mean that learning from our investigations and implementation of our systemic recommendations by public bodies takes longer, so maladministration and service failure may continue for longer than would otherwise be the case.

- 4.6 There is also a significant impact on our staff. Public service complaints account for the majority of staff time, and even a small percentage increase results in a significant number of additional complaints. The projected 61% increase in public service complaints since 2015/16 (see Graph 1) is therefore particularly challenging. These increases in casework since 2015/16 have been largely managed through efficiencies: 40% more public service complaints (see Graph 1 2022/23 figure) with only 13% more staff. The scale of these efficiencies is significant. However, continuing caseload pressures cannot simply be absorbed.
- 4.7 Our new Strategic Plan includes a strategic aim to increase accessibility and inclusion in our services. Whilst resources continue to be constrained, this remains an important aim. We will work to improve access to our services by those groups currently under-represented in our service users. We expect that this will result in more enquiries and complaints from these groups.
- 4.8 In our 2020 staff survey 76% of staff considered that workload pressure was reasonable. This fell to 58% in 2022. Similarly, the proportion of staff who considered PSOW to be a good place to work fell from 97% in 2020 to 87% in 2022. The next staff survey will be in 2024, but recent informal feedback from staff suggests that increasing workload pressures are having a substantial impact and are adversely affecting staff perceptions of PSOW as a place to work. In that context, the ongoing increases in caseload are of significant concern.
- 4.9 Our initial 2023/24 Estimate submission included an increase in staff numbers and investment to help us better guide complainants without their having to contact us and to help staff manage high caseloads more effectively. In view of the financial climate and pressures on public spending, the Finance Committee was unable to support the Estimate, so there was no increase in staff numbers.
- 4.10 We remain committed to driving efficiency, embracing innovation and improving our performance. However, without investment and appropriate staffing our scope to address declining staff wellbeing and poorer complainant experience is limited. Whilst the public finance context is understood, the Estimate for 2024/25 necessarily includes modest increases to help address these concerns.

5. Cost pressures

- 5.1 Almost all our budget continues to be taken up by fixed or semi-fixed costs – premises costs and IT costs are largely fixed, and staff costs cannot be varied in the short term, other than through redundancies (which would involve additional one-off costs).

Staff costs

- 5.2 Nearly 80% of our costs are staff costs, so our biggest cost pressures arise from pay awards and employer pension and National Insurance contributions. These are not costs that we can directly control, at least in the short term. As indicated above, staff are contractually entitled to pay awards agreed for local government staff in England, Wales and Northern Ireland by the local government National Employers organisation.

- 5.3 Our Estimate submission assumes a 7.9% national local government pay award for April 2023. We also need to allow for the April 2024 pay award. Assuming that pay awards continue to be below current inflation, we have included provision for a 5% pay award from April 2024. However, if the actual local government pay awards are higher than we have provided for, we may have a further funding shortfall in the current year.

Case Management System

- 5.4 The current contract for our case management system expires at the end of March 2024. We are therefore in the process of a full procurement exercise. Increased funding for case management systems was sought in last year's initial Estimate, though this was unsuccessful. We have therefore agreed to seek tenders based largely on the existing specification. Nonetheless, re-tendered contracts are likely to be more costly than the expiring contracts, especially given the current economic climate of supplier price inflation.

Price inflation

- 5.5 For the current year we anticipated low inflation based on OBR forecasts in July 2022, with a 2% increase in premises costs, a 4% increase in IT costs and negligible inflation on other non-pay costs. (We also allowed more for professional fee costs as hourly rates paid for clinical advice had increased significantly.) In practice, however, we have experienced substantial increases in all costs, including energy costs, supplier contracts and, for IT costs, increases much greater than we had allowed for. Many of our contracts include annual CPI indexation to reflect inflation (in line with good public sector procurement practice), and so costs have increased in line with actual CPI for 2022/23, which was more than 10%. CPI for the current year to date has averaged 8%.
- 5.6 Appendix B shows the incidence of these inflationary pressures which have been assessed line-by-line. Whilst inflation has been above 10%, we have generally worked on the basis of latest CPI for August 2023 (6.7%) but have also included excess inflation for 2023/24. There are significant increases in IT costs, on a like-for-like basis, with particular increases in licence costs and the costs of secure cloud-hosting. Whilst we will continue to seek best value prices from suppliers, cost pressures make further increases likely. We are seeking £235k to help us meet these costs of inflation.

6. Efficiencies

Cost efficiencies

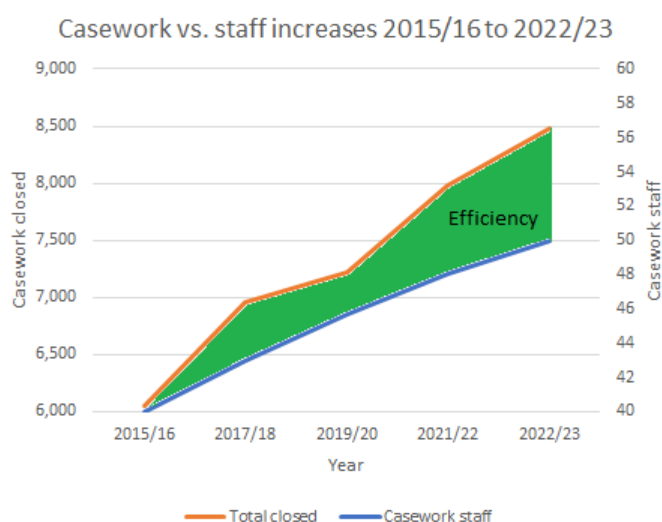
6.1 We have continued to deliver substantial cost efficiencies. We have looked to fund many price inflation pressures for 2024/25 and staff increments over the past 2 years as a result of process improvements and other internal efficiency savings such as:

- Staff efficiencies through reorganisation and staff turnover
- Greater use of staff to present at Code of Conduct hearings, where appropriate, rather than using external lawyers
- IT efficiencies following investment and reduced use of third-party suppliers
- Reducing our operational office area to the ground floor only, bringing savings in heating, lighting, cleaning and other maintenance costs
- Reducing the number of printers/copiers the office now owns.

6.2 In addition to the volume efficiencies below, the Estimate includes cash-saving efficiencies of £34k to cover staff increments and £66k towards investment in additional staff – details below.

Volume efficiencies – past

6.3 Our enquiries and complaints caseload has increased substantially since 2015/16 as set out above. There has not been a commensurate increase in staff numbers dealing with complaints and enquiries. This demonstrates our commitment to achieving greater efficiency and our track record of doing so. We have successfully worked to increase volume efficiency and manage this growing caseload by ‘doing more with the same’.



This diagram shows **closed** caseload growth and casework staff growth between the years 2015/16 and 2022/23.

This shows the continued growing gap between casework staff and the casework we are dealing with, and the efficiency (cost avoidance) savings we have made as a result.

Graph 2 – Closed casework vs. staff numbers

6.4 The increased number of cases handled implies 6 extra members of casework staff. In practice we are seeking funding for one additional casework post, at a cost of approx. £60k including on-costs. This yields an estimated volume efficiency of £300k. Whilst these efficiencies do not generate cash savings, they reflect real efficiencies made.

Volume efficiencies – future

- 6.5 In 2022/23 we closed 8,475 cases with 50 casework staff, with a unit cost per case of £473. For 2024/25 we anticipate closing 9,323 cases (a 5% increase in each of the next 2 years – we are not anticipating case **closures** to increase in line with the projected increase in cases **received** as we will not have sufficient resources). Using the same unit cost, this would cost an additional £401k. This Estimate proposes only one additional member of casework staff so there is an estimated efficiency saving, albeit not cash-releasing, of £341k.

Update on office accommodation

- 6.6 During the latter part of 2022/23, we worked to vacate parts of our leased accommodation. The surplus accommodation is currently being marketed with a view to releasing it before the end of the lease. There is currently limited interest, as many organisations are similarly reducing their office accommodation. However, if successful, this could result in some additional upfront costs (dilapidations etc.) but future savings in reduced rent and service charges. This will, in the end, help meet the cost of necessary investment in technology and service improvement. We will report further on this next year.

7. Investment in Strategic Priorities

- 7.1 Our new Strategic Plan sets out four strategic aims. Under the Plan we will be:
1. Delivering justice with a positive impact for people and public services
 2. Increasing accessibility and inclusion
 3. Increasing the impact of our proactive improvement work
 4. Ensuring that we are a healthy, efficient and accountable organisation.
- 7.2 These strategic aims are ambitious and define a new set of priorities for the office. However, the pressures facing the Ombudsman, and indeed wider public services, are not likely to be resolved quickly – there will be continued cost and caseload pressures, as well as increased expectations. These pressures make the four proposed strategic aims even more important.
- 7.3 We remain concerned that some groups across Wales are less likely to be aware of and use our services. These include some who may be particularly reliant on public services, and we are determined to increase our outreach and accessibility work to reach them. Our outreach and communications work, together with the factors set out earlier when discussing caseload pressure, mean that more will be expected of our service and our organisation. No additional investment has been included for increased outreach work as part of our Strategic Plan, so we will aim to do this by prioritising target groups within existing resources.
- 7.4 Recognising that we cannot simply keep working in the same way, last year we sought funding to invest in service improvement. The investment we sought reflected increasing digitisation and was to allow the development of a new website and to commence work on an improved casework management system. The Committee

was unable to support this in full. With the limited available funding, our key priority was the development of a new website. Work to develop this is underway.

- 7.5 We are not seeking funding for investment in improved digital and IT services at this stage, but we are determined to keep our IT services as effective and secure as possible, without loss of functionality as resources are squeezed. The very limited investment we can make inevitably leads to a risk that we will not be able to do what we want to do. If we are to have a lasting positive impact on people, public services and local government in Wales, business as usual is not an option.
- 7.6 Going forward, where we identify areas where we need to invest to achieve our strategic priorities and make a difference, we will look to identify property-related savings that could support some of this investment in the future. In the meantime, we will work to maintain and improve cyber security and efficiency, but we reluctantly accept that investment in significant change will be delayed until such time as these property-related savings can be achieved.
- 7.7 In our original estimate submission for 2023/24, we also requested a small investment in additional staff. The Committee was unable to support this for 2023/24. Mindful of this and the adverse impact of restricting staff numbers on staff wellbeing, service levels and service quality, this Estimate includes funding for two additional staff. The first will lead new data analytics work, using complaints data to better manage caseload through prioritisation, identify systemic and thematic issues arising from casework and to inform opportunities for learning and service improvement. The scope of data analytics, and the available tools, continue to increase, and investment here would help us to better target our interventions. Further details of this work can be found in Appendix E.
- 7.8 The second post will assist with casework. To manage caseloads, we have trialled a new way of working where we start investigations before cases are transferred to our investigation team. This has had some success in consistently focusing our resources on the most significant cases and, although caseloads remain high, in reducing workload pressures in the investigation team. This has also allowed staff to focus on ageing cases. The additional caseworker post would allow us to continue and extend this approach to help reduce ageing cases.
- 7.9 In summary, our Estimate seeks sufficient resources to deliver our core complaints service and to make better use of data. We are seeking investment of £54k to support our work on strategic aims 1 and 3. The remaining £66k required will be met from efficiencies from within our current budgets.

8. 2024/25 Estimate

8.1 In preparing this Estimate we have sought to address the Statement of Principles developed by the Senedd Finance Committee for the preparation of annual budget proposals. Appendix D shows these Principles and how they have been addressed in this Estimate submission.

8.2 Changes between the 2023/24 budget and 2024/25 Estimate are summarised below:

	Cash £000	Resource £000
2023/24 budget	5,854	5,963
Pay, price and increment cost pressures	+470	+470
Efficiencies (£34k for increments + £66k towards the investment below)	-100	-100
Investment in staff – caseload and data analytics	+120	+120
IFRS 16 changes	-	-95
2024/25 budget	6,344	6,358

Table 2: Changes between the 2023/24 budget and the 2024/25 Estimate

8.3 The Estimate for 2024/25 is shown in more detail in Appendix B and is prepared on an IFRS 16 basis. Unit costs are included in Appendix C.

8.4 Further detail, together with brief narrative for each area of expenditure group, is attached. The table shows the current year’s budget, budget pressures, efficiencies and the proposed Estimate for 2024/25.

8.5 The estimate:

- Includes 7.9% estimated pay award for April 2023 and 5% estimated pay award from April 2024.
- Includes no contingency. Since we have no contingency or reserves, any significant unexpected costs (such as pay awards above levels allowed for, or significant legal costs arising, for example, from case-related court cases or judicial review) would result in a Supplementary Budget.
- Reflects cash-saving efficiencies of £100k used to meet the cost of staff increments and contribute to investment in two staff
- Includes two additional staff, one to help develop our use of data and one to make a small increase in casework capacity.

9. Consequences of Estimate not being approved

9.1 The Estimate seeks to balance the financial pressures and need for investment on the one hand with an understanding of the challenging state of public finances in Wales. In the main, the increases sought are the result of externally generated pay and price pressures. An investment in two additional staff posts is included to help

manage increasing caseloads and pressures on staff and to increase the impact of our work through the better use of data.

Consequences of £436k 'business as usual' costs not being approved

Impact on staff

- 9.2 If the Estimate does not cover pay award inflation, this will result in reductions in staff numbers. If these cannot be achieved through natural turnover of staff, redundancies would be necessary. These would involve significant additional costs as staff are covered by the civil service redundancy scheme. Reductions in staff numbers would result in further deterioration in the level of service we are able to provide.
- 9.3 If we are forced to make redundancies, to achieve the savings required to meet our pay and inflation pressures we would have to lose around 7 members of staff (approx. 10% of our workforce). This would be hugely concerning at a time when demands for our services are the highest they have ever been, the pressures on our staff are the greatest they have ever been, and when the role of the Ombudsman is as important as ever in securing accountability and justice from Welsh public services. Such redundancies would also require the submission of a Supplementary Budget to meet one-off redundancy costs.

Impact on service users

- 9.4 Any reduction in staff numbers would also have an adverse impact on service levels, resulting in less time to engage with individual complainants and further extended investigation delays. This in turn has an adverse effect on complainants, adding to their concerns. Caseloads already mean that we are not able to conclude our investigations as promptly as we would like, with more complaints taking over 12 months to conclude. We are mindful of the impact that complaints can have on all those involved. Particularly in health complaints, our involvement tends to come at the end of what can be a long complaints journey. Further delays would be a cause of real concern and would increase the distress of complainants.
- 9.5 Going forward we want to continue to assess complaints on their merit and carefully decide whether it is proportionate to fully investigate any complaint. We want to take a proportionate approach and devote our resources to ensure that we remedy injustice in serious cases and where systemic failings may impact on groups of individuals. If the estimate is not approved, these aims will no longer be achievable.
- 9.6 We already ensure that we investigate only serious complaints, but if the Estimate is not approved, we would have to increase further the threshold for intervention ('raise the bar'). As health cases dominate our investigation caseload (80%), this would mean that only very serious health cases, perhaps cases where there are indicators of an avoidable death, would be investigated. As the Committee will be aware, everyone who makes a complaint considers it to be serious and if our Estimate is not approved, we would have more disappointed and dissatisfied complainants. This might also result in some complaints, such as those about local government and housing, receiving less priority.

- 9.7 Considering only the most serious complaints would also run counter to our efforts, and the legislative decisions of the Senedd, to make the Ombudsman's services more accessible, for example through acceptance of oral complaints. In many cases, it is only when we start to investigate a single complaint, that might not appear very serious, that we identify systemic issues that could have very serious consequences for others. The feedback we receive makes us acutely aware of the impact of our work on members of the public. We do not wish to deny complainants the opportunity to have genuine concerns investigated.

Impact on technology and organisational efficiency

- 9.8 There is limited scope to cut our non-staff costs – most non-staff budgets are fixed or semi-fixed, with only small savings possible from, for example, a fall in the number of software licence users in the event of reductions in staff numbers.
- 9.9 The imminent re-tendering exercise for a case management system was originally intended to be an opportunity to seek improved functionality and greater efficiency. The budget restrictions in place mean that this is not realistic, but we are hoping to maintain existing functionality in the re-tendered system. If the Estimate is not approved, there is a danger that the affordable case management system could offer much reduced functionality. £58k of the increase sought is the likely increase in costs on re-tendering, based on information from the current supplier and comparisons with alternative providers that tendered previously.
- 9.10 Our work is entirely reliant on technology. We have achieved Cyber Essentials Plus accreditation, and it is vital that we are able to keep our systems and software up to date. This inevitably has a cost, but the consequences of not keeping our systems as secure as possible are potentially huge in terms of the risks of sensitive personal data disclosure, inability to provide a service and the costs of recovering from a cyber incident.

Consequences of (net) £54k investment in staff not being approved

Impact on staff

- 9.11 Our staff are already experiencing significant pressure and stress affecting wellbeing. The proposal to add one additional caseworker will not solve these problems but will help. If the Estimate is not approved, incidence of lost time through stress are likely to increase. Increased complaints have already put more pressure on our staff, with each member of staff carrying a large and more demanding caseload. Whilst we are working to improve this, current caseloads remain high, and we cannot continue to absorb this additional work without additional resources to recruit more staff.

Impact on service users

- 9.12 To help manage competing priorities, use our resources wisely and target our interventions well, good data analytics is key. The benefits are widely recognised across the private and public sectors. The scope of data analytics, and the available tools, continue to increase, but we do not currently have the capacity, expertise or facilities to get the most from available data. If this element of the Estimate is not

approved, the opportunities to use data to identify priorities for our caseload and public service improvement, to help identify and support public service users less likely to complain and to identify areas for Own Initiative or thematic investigations and reports will not be grasped. This would be an opportunity missed.

Impact on technology and organisational efficiency

- 9.13 As indicated above (see 3.6) we engaged expert support from Perago Wales to review our processes and help us develop an IT & Digital Strategy. One of the key outcomes was that we should increase and improve our use of data, helping us to target our improvement work, identify patterns and trends and inform our decisions on use of Own Initiative powers. The investment in data analytics will allow us to take forward this vital work.

Appendix A – Budget Ambit - Public Services Ombudsman for Wales

This Estimate submission has been completed consistently with Standing Orders 18A.2 and 20.23 of the Welsh Parliament dated November 2021.

Ambit	Resources (£000)	Accruing Resources (£000)
Public Services Ombudsman for Wales	6,358	27

<u>Services and Purposes</u>	
Resources other than accruing resources for use by the Public Services Ombudsman for Wales on resource and capital costs associated with the administration of the Ombudsman's office; payments to the British and Irish Ombudsman Association; payments to the International Ombudsman Institute and associated non fiscal items.	£000 6,358

<u>Category of accruing resource</u>	<u>Services and purposes for which income may be retained</u>
Income from commercial sales and other services provided to the public or others.	For use on related services and the administration of the Ombudsman service.
Overall amount of Income (£000)	27

Resource to cash reconciliation for 2024/25 (£000)

Net Resource Requirement	6,353 *
Net Capital Requirement	5 *
Adjustments:	
Capital Charges	(225)
Impairments	-
Movements in Provisions	-
Profit/Loss on sale of assets	-
Movements in stocks	-
Movements in debtors/creditors	20
Use of Provisions	-
Other	191
Net Cash Requirement for issue from the Welsh Consolidated Fund	6,344

* £6,353k + £5k capital = £6,358k Total Resource Expenditure in Appendix B

Appendix B – Estimate 2024/25

	2023/24	2024/25			
All figures in £000s	Budget 2023/24	Pressures / Inflation 2024/25	Investment in Strategic Priorities	Efficiencies	Estimate
Staff salaries and related costs (note 1)	4,725	+235			4,960
Investment in service improvement - staff (note 2)	-		+120		120
Premises and facilities (note 3)	171	+71		(26)	216
Professional fees (note 4)	244	+41		(22)	263
IT costs (note 5)	250	+88		(11)	327
Investment in IT & Digital Strategy (note 6)	47	+3			50
Office costs (note 7)	108	+16		(22)	102
Travel, training and recruitment (note 8)	40	+6		(4)	42
Communications (note 9)	65	+10		(7)	68
Total Revenue Expenditure	5,650				6,148
Total Income (note 10)	(19)			(8)	(27)
Net Revenue Expenditure	5,631	+470	+120	(100)	6,121
Capital Expenditure – DEL (note 11)	5				5
Total Resources Required	5,636	+470	+120	(100)	6,126
Depreciation and amortisation	70				70
Depreciation – leased assets	222			(67)	155
Interest charge – leased assets	7				7
Capital AME – dilapidations	28			(28)	-
Total Resource Expenditure	5,963	+470	+120	(195)	6,358
Depreciation and amortisation	(70)				(70)
Depreciation – leased assets (note 12)	(222)			67	(155)
Interest charge – leased assets (note 12)	(7)				(7)
Capital AME – dilapidations (note 12)	(28)			28	-
Change in working capital (note 13)	198				198
Other non-cash movements	20				20
Cash Requirement from WCF	5,854	+470	+120	(100)	6,344

Notes

1. Salaries and Related Costs

Under our employment contracts, staff salaries are increased annually in accordance with Local Government NJC pay negotiations. The 2023/24 budget figure includes a provision for a 7.9% pay award as outlined in our first Supplementary Budget. For 2024/25 the table shows pressures of £235k (estimated 5% pay award from April 2024 and staff increments). Overall change +£235k.

Note that pay awards for April 2023 and April 2024 are not yet settled so figures are estimates. Higher pay awards would be contained within existing resources where possible but would be likely to require the submission of a Supplementary Budget. The Committee has previously indicated its preference for this method of Estimate construction, rather than the inclusion of a contingency to cover any potentially higher pay settlement.

The cost of staff increments (£34k) will be met through efficiencies in other budgets (see below).

2. Investment in staff

The Estimate includes two new posts – one data analyst to draw valuable information from the data we hold about the complaints we receive, together with complaints data collected from public bodies. This will inform thematic reports and own initiative investigations but will also help us identify priorities for improvement work with public bodies. The other additional post is an additional Investigation Officer to assist with ongoing increases in caseload.

3. Premises

This major item of expenditure is the lease and running costs of our premises at Bocam Park. The rent was subject to a rent review in August 2020. Since our last Estimate submission, we have reduced the amount of office space in active use, and the surplus office accommodation is currently advertised, with a view to sub-letting or early surrender. There is currently very limited interest, but we will continue to market the vacated space.

There are inflationary cost pressures on our premises budgets, including rates, energy and maintenance costs (+£38k). We will seek to meet £26k of these cost pressures through efficiencies. Additional resource expenditure is also required as a result of VAT now being excluded from our IFRS 16 figures (in line with revised HM Treasury guidance, +£33k), though this has no effect on cash. Overall change +£45k.

4. Professional Fees

Inflationary pressures have increased the costs of professional fees by (+£41k). This includes the Audit Wales external audit fee which has increased the cost of our external

audit by 10%. We will seek to make efficiencies in our use of professional services to offset this in part (-£22k). Overall change +£19k.

5. IT - Computer Systems and IT Support

We have a number of contractually committed IT contract price increases. In 2023/24 we allowed for a 4% inflationary increase, but actual increases for the year are higher (+£11k). We will contain this above expected increase in-year through efficiencies. There is a further £77k of cost pressures for 2024/25 – these relate to the inflationary increases of our committed IT contracts (£19k) and the costs associated with the necessary re-tendering for a case management system, using current levels of functionality as the basis (£58k).

6. Investment in IT & Digital Strategy

Our revised estimate for 2023/24 included £47k for service improvement. With inflation this increases to £50k for 2024/25. We are using this to invest in an improved website, recognising the different needs of those who access the website. The new website is intended to help potential complainants to see what complaints we can and cannot handle. For 2024/25 we propose to use this budget to invest in our IT & Digital Strategy and help implement the findings of our recent digital and service improvement work undertaken with Perago Wales.

7. Office Costs

Office costs are subject to inflationary cost pressures of £16k. We will seek to meet these through efficiency savings. We are now occupying only our ground floor offices and we anticipate making further efficiency savings of 65k as a result.

8. Travel, Training and Recruitment

Travel costs have increased by more than allowed for in the 2023/24 budget (+£3k) and offsetting savings are being made through increased use of online facilities for training and meetings. For 2024/25 we anticipate an increase in travel costs of £3k, reflecting the 6% national increase in rail fares. The majority of our long-distance travel is undertaken by train. Whilst costs have increased, we will look to reduce the amount of travel.

9. Communications

Our new Strategic Plan requires considerable outreach and communications work. Inflationary communications cost increases have exceeded (+£6k) the amount allowed for in the 2034/24 budgets. These are being met through efficiencies. A further cost increase of £4k is forecast for 2024/25. We will manage this budget carefully and make use of low and no-cost options wherever possible.

10. Income

The Estimate includes ongoing income from a staff secondment to the Ombudsman Association and the provision of payroll services to the Future Generations Commissioner. Our contract with the Ombudsman Association was renewed from September 2023. This has resulted in a small increase in income.

11. Capital

The small annual capital allowance of £5k is maintained.

12. IFRS 16

The 2023/24 Estimate included VAT in asset valuations. However, in the last 12 months revised guidance from HM Treasury has indicated that VAT should be excluded. We have therefore revalued our 'right of use' asset which has resulted in savings of £67k from the revised annual depreciation figures.

We have also decided not to increase our dilapidation provision in 2024/25 following an independent review undertaken in 2022/23. This results in a saving of £28k. Overall change -£95k.

13. Working Capital

This is the accounting adjustment needed to offset the depreciation created by IFRS 16 and provide the appropriate cash requirement from the Welsh Consolidated Fund.

Appendix C – Unit costs

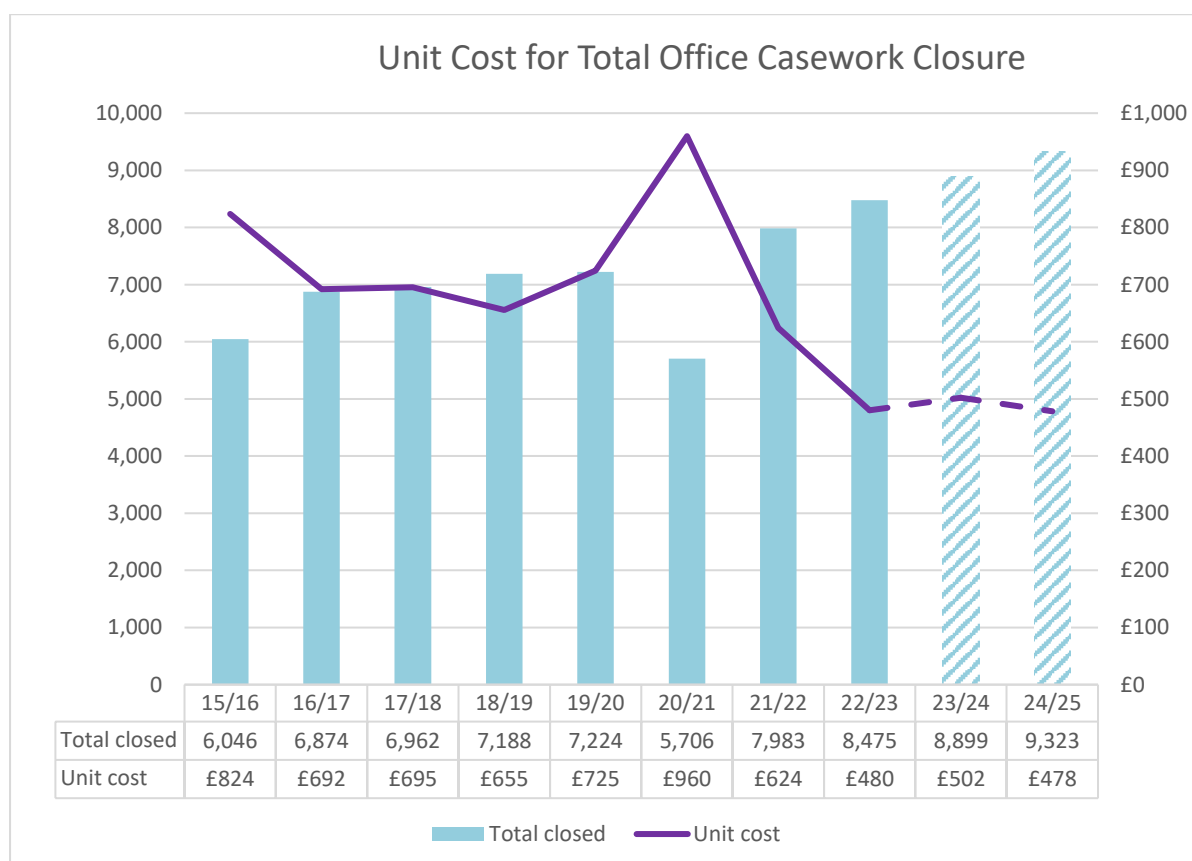
We continue to present unit costs calculated for our main activity – receiving, considering, investigating and responding to enquiries and complaints. This is our activity under Strategic Aim 1, and we use the audited figures for Operating Costs by Strategic Aim, presented within the accounts. We expect our new Strategic Aim 1 to account for around 70% of our expenditure, and the main costs here are direct staff costs, costs of our case management system, costs of professional advice and an allocation of overheads such as premises and office costs.

The graphs below show firstly unit cost for the full enquiry **and** complaints work **completed** (closed) in the year and secondly for complaints cases only, **completed** (closed) in the year. Projections for the current year and next year are included for completeness. As indicated in 6.5 above, if cases increase at the rate anticipated we will continue to seek efficiencies but, in the light of ongoing resource constraint, do not anticipate being able to increase the number of cases **closed** in line with the increase in cases **received**.

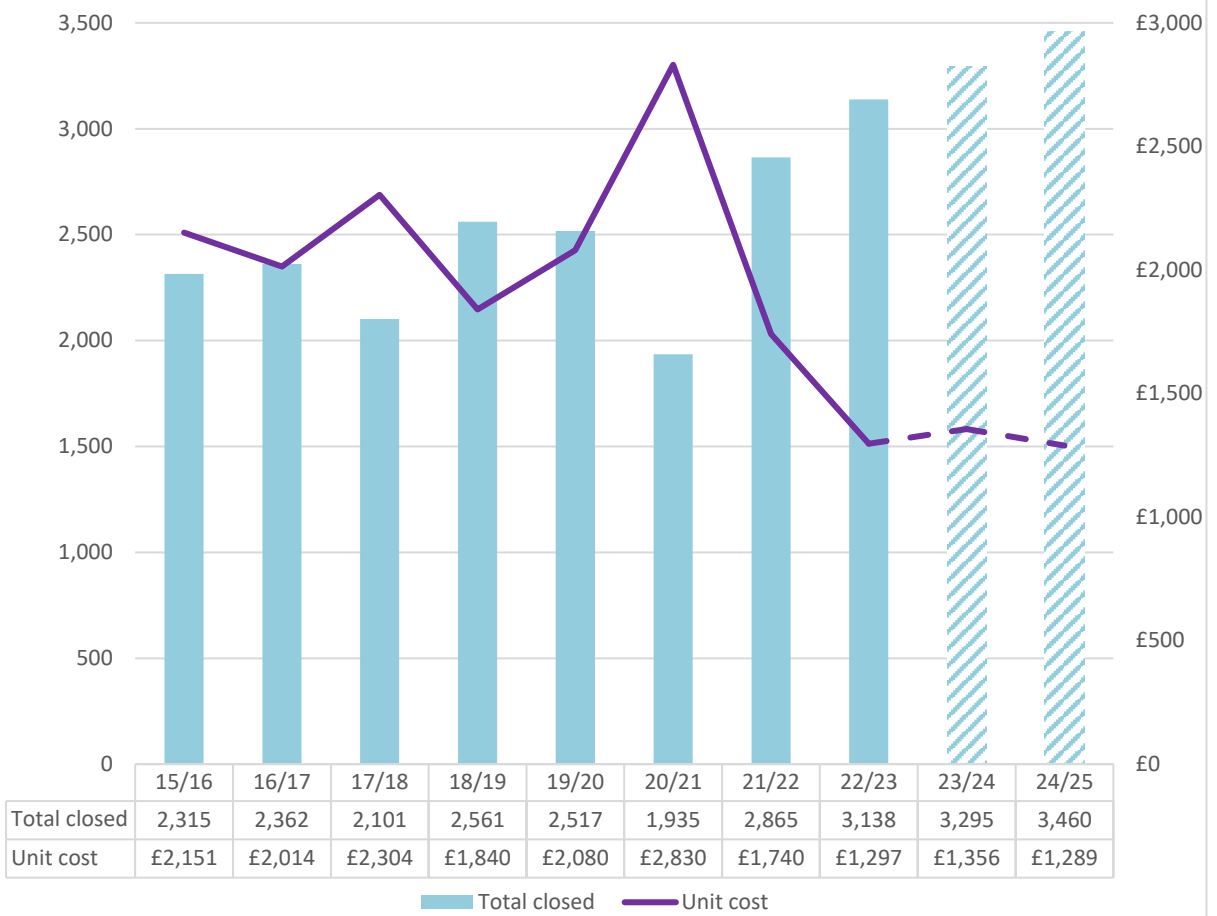
Real terms

All cost figures here have been adjusted to 2025 prices to allow meaningful comparison.

We have used the actual rates of CPI inflation for 2015/16 to 2022/23. For 2023/24 we have used CPI inflation as of July 2023, and for 2024/25 we have assumed that inflation will fall back to a rate of 4.5%.

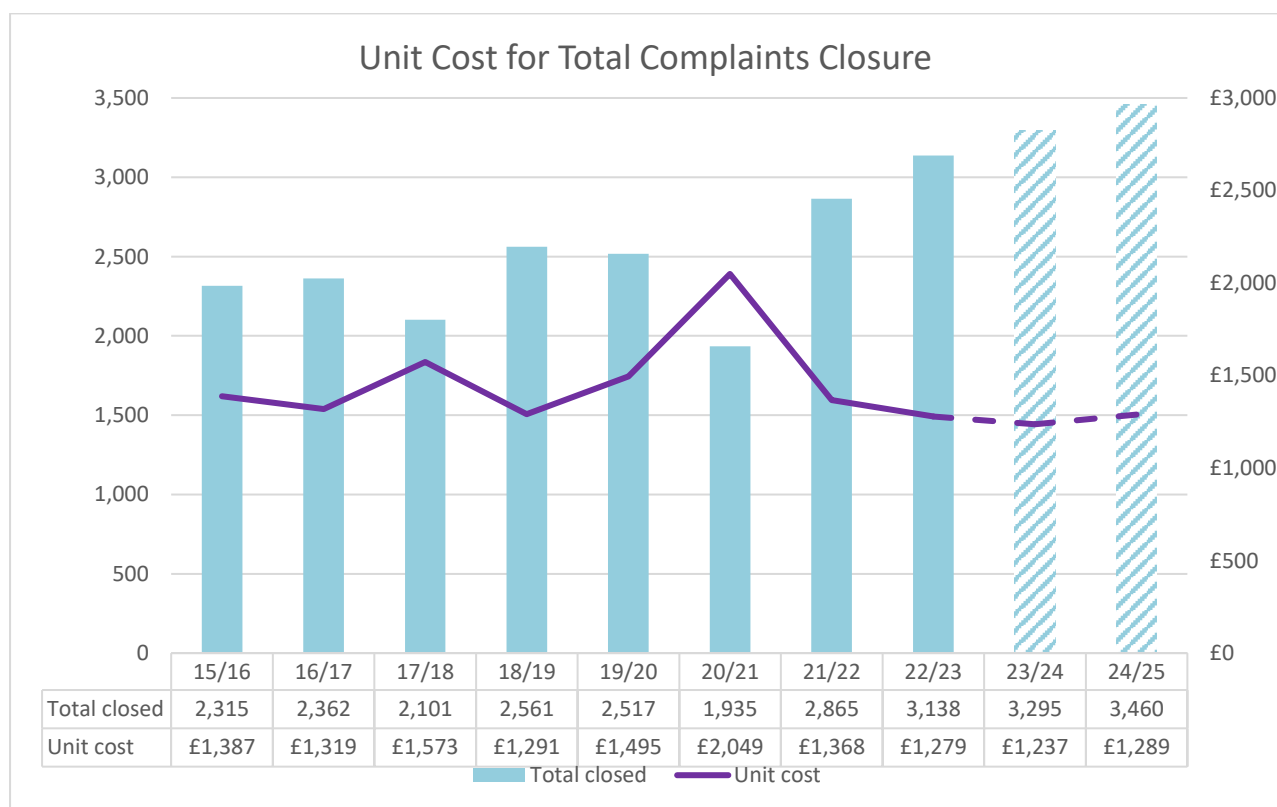
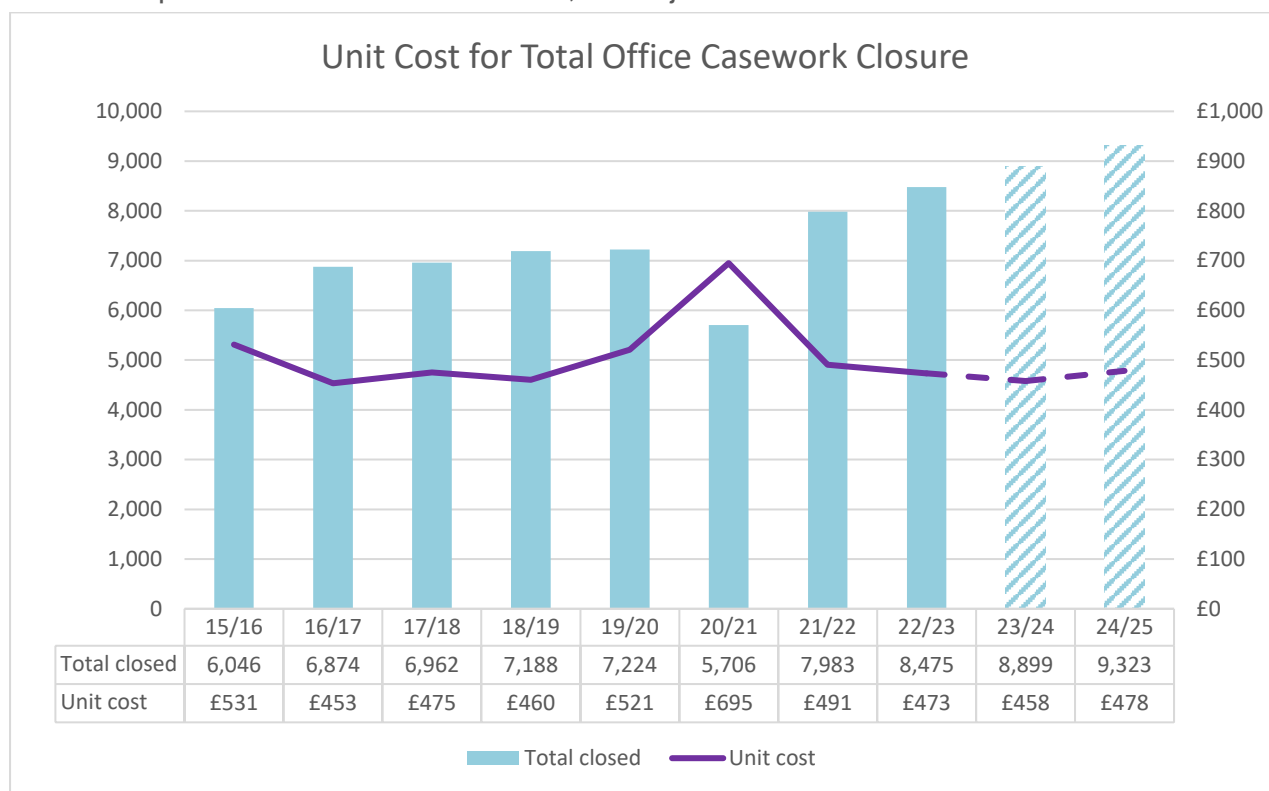


Unit Cost for Total Complaints Closure



Cash terms

The Finance Committee has previously requested unit cost figures expressed in cash terms. These are presented here for completeness. All cost figures here are the actual costs as reported in the Annual Accounts, not adjusted for inflation.



Appendix D – Principles that Directly Funded Bodies should consider when preparing their annual budget proposals

The Finance Committee of the Senedd has developed a Statement of Principles that Directly Funded Bodies should consider when preparing their budget proposals. This Appendix sets out the key principles and shows how they are addressed in the Estimate submission:

Principle	Comment
<ul style="list-style-type: none"> The Finance Committee believes budget estimates should be transparent, prudent and reflect the financial constraints in the public sector. 	<ul style="list-style-type: none"> The Estimate is set out in a transparent way and seeks to be prudent in recognising significant pressures facing the office (sections 4 and 5) and our ambitions (section 7). These ambitions include continued productivity and cost efficiencies (section 6) and better access to our services for all.
<ul style="list-style-type: none"> Budget requests should be set in the context of the long-term financial funding situation in Wales and funding pressures in the wider public sector. 	<ul style="list-style-type: none"> The Estimate reflects the financial constraints in the public sector, and includes investment in improvement (section 7), resources to meet unavoidable pressures (sections 4 and 5) and significant cost-saving efficiencies (£100k and volume efficiencies – section 6).
<ul style="list-style-type: none"> Requests should show how annual and multi-annual objectives will be prioritised, monitored and achieved. 	<ul style="list-style-type: none"> The Estimate is intended to support the multi-year aims set out in the Strategic Plan 2023-2026. This sets out our proposed priorities. We will report annually, in our Annual Report & Accounts, on progress in line with our revised Strategic Plan.
<ul style="list-style-type: none"> Bodies should not assume an increase in funding, regardless of the block grant change as any increase to their funding reduces resources available to other devolved public bodies. 	<ul style="list-style-type: none"> No assumptions have been made about block grant changes. The Estimate reflects workload pressures (section 4), unavoidable cost pressures (section 5), productivity and cost efficiencies (section 6) and investment priorities (section 7).
<ul style="list-style-type: none"> Bodies should continually seek to improve processes and accrue efficiencies. 	<ul style="list-style-type: none"> The Estimate shows (section 6) efficiencies by completing more work since 2015/16 within the resources we have. The Estimate also shows specific efficiencies to be achieved in 2024/25.
<ul style="list-style-type: none"> Where any increases in funding are requested, these should be backed by evidence both of the need, benefit and attempts that have been made to reduce such costs. Also, the consequences of not obtaining the requested increase in resource should be made clear and quantified. 	<ul style="list-style-type: none"> The Estimate and the Strategic Plan set out the drivers that influence budget needs, together with the investment sought. Section 9 shows the consequences of the Estimate not being supported.

Appendix E – Data analytics

The estimate seeks funding for one data analytics post. This Appendix sets out the rationale for including this additional post.

The Ombudsman holds data on all enquiries and complaints we receive. We also, under our complaints standards powers, collect data from public bodies on the complaints they receive and consider. There is also data in the public domain on public service performance. Whilst we already undertake analysis of the data we hold (including analysis reported in our Annual Report), our analysis is limited and does not involve multiple data sets.

Data analytics would take our data analysis to a higher level and increase our ability to analyse raw data to draw robust conclusions. This would help optimise performance, identify inefficiencies and provide insight to inform strategic decisions. Data analytics uses spreadsheets (which we currently use) but also extends to data visualisation, more powerful reporting tools and enhanced manipulation of data and multiple data sets.

By increasing our capacity and our expertise in data analytics we can gain a much better understanding of patterns and changes over time, of underlying causes of service failure and maladministration, identifying future trends and targeting our work and our interventions so they have greatest effect.

In particular, greater use of data analytics will help us:

- Prioritise our caseload to ensure we are focussing on the most serious complaints and, where feasible, bringing complaints together to form wider investigations;
- Identify trends and patterns that could inform the subjects of our systemic and thematic reports and to better target the recommendations we make in them;
- Identify recurring themes in lower-level complaints that could help us with appropriate and targeted improvement work with specific public bodies; and
- Guide our decisions on the appropriate focus for our Own Initiative investigations where they can have greatest impact, particularly in areas where people are less likely to complain.

A data analyst would give the organisation the capacity and expertise to be able to make best use of the data we hold but would also be able to explore the scope to work with other public bodies and regulators to use multiple datasets to achieve greater insight.