



Comisiynydd y
Gymraeg
Welsh Language
Commissioner

Estimate for the financial year 2019-20



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Background

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

Two principles will underpin the work:

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

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1 Foreword

- 1.1 This Estimate has been prepared in accordance with statutory requirements in order to ensure sufficient resources to carry out the Welsh Language Commissioner's work programme for 2019–20.
- 1.2 The principal aim of the Welsh Language Commissioner, an independent body established by the Welsh Language (Wales) Measure 2011, is to promote and facilitate use of the Welsh language. This entails raising awareness of the official status of the Welsh language in Wales and by imposing standards on organisations. This, in turn, will lead to the establishment of rights for Welsh speakers.
- 1.3 Two principles will underpin the Commissioner's work:
 - In Wales, the Welsh language should be treated no less favourably than the English language
 - Persons in Wales should be able to live their lives through the medium of the Welsh language if they choose to do so
- 1.4 This Estimate is presented as the existing post holder approaches the end of a seven year term in office as Welsh Language Commissioner (on 31 March 2019). Also following a Welsh Government consultation and Ministerial statement on the floor of the Assembly (5 June 2018) a Bill to establish a Welsh Language Commission has been proposed. As part of that statement the Minister with responsibility for the Welsh language stated that *"We must persuade more leaders in business, in public services and in civic society - whether they are Welsh speakers or not - to work for the Welsh language or in a way that facilitates the use of the Welsh language"*.
- 1.5 It's clear from the statement that Welsh Government policy is to prioritise more promotional projects facilitating the use of the Welsh language. In response, this Estimate includes options which enables the Government to provide the newly appointed Commissioner with an additional funding to use from 1 April 2019.
- 1.6 Whilst the 2019-20 work programme is set against a changing canvas it's also true that the current duties and functions of the Welsh Language Commissioner are ongoing and ever increasing e.g. making the health sector subject to the Welsh language standards. The evolution of the regime of imposing and enforcing standards means that the nature of the work required has to adapt. Further emphasis should be placed on facilitating compliance in some key areas. Therefore, for numerous reasons April 2019 is a timely moment to commence new projects. This Estimate contains specific proposals to that end.
- 1.7 The Estimate avoids too much debate about budget cuts born by the Welsh Language Commissioner in previous years. Whilst the organisation maintains a record of being well-run, efficient and effective, the impact of the need to respond to a reduction in the organisation's budget and the organisation's ability to invest in developing infrastructure has highlighted some risks.
- 1.8 A one-off sum is necessary to develop the Commissioner's IT capacity beyond basic maintenance of the systems and ensuring their security. The investment would improve efficiency and release time for officers to achieve more with less energy. This would also mitigate risks, including those relating to cyber attacks.

- 1.9 Likewise, staffing levels have been eroded to a level of 90% in comparison to a fully populated structure. It is increasingly difficult to deliver the organisations functions and duties when the full complement of resources is not in place.
- 1.10 This Estimate is based on a three year strategic plan and specific priorities for the forthcoming financial year. The Commissioner prepares a detailed annual operational plan stipulating how resources are used and a summary of the priorities are contained in the Annual Report.
- 1.11 In presenting the Estimate the Welsh Language Commissioner wishes to emphasise the organisation's commitment to continue to contribute to the realisation of the Welsh Government's vision for the Welsh language.

2 The estimate's plans and options

2.1 This Estimate presents three options which are detailed in section 2 of the document. The financial breakdown in section 3 has been prepared based on Plan A, the option favoured by the Commissioner and the Management Team.

2.2 The three options can be summarised as follows:

Plan A Additional funding for projects and employing 47 officers

Plan B Additional funding for projects

Plan C Funding to continue operating as before

2.3 The cost elements of these plans for 2019-20 is analysed in the table below:

	Plan A	Plan B	Plan C
	£000	£000	£000
Employment (on the basis of current assumptions)	2,483	2,240	2,240
Pension (impact of valuation on employer contributions)	131	117	117
Core costs to run the organisation	691	691	691
Depreciation on fixed assets	52	52	52
Programmes and Projects	468	468	140
TOTAL EXPENDITURE	3,825	3,568	3,240
Current financing from Welsh Government	(3,051)	(3,051)	(3,051)
Request for additional financing from Welsh Government	(747)	(490)	(117)
OVERSPEND	27	27	72

2.4 For the three years from 2016-17 to 2018-19, the Welsh Language Commissioner has received a fixed budget of £3,051,000 from Welsh Ministers. Although this has given the Commissioner an element of assurance for planning over the medium term, this level of funding has restricted the Commissioner's ability to implement her Strategic Plan in full.

2.5 The Commissioner has the right to employ 47 FTE officers. Over the past three years a number of roles or parts of roles in the structure have been left vacant, because employing 47 officers has not been affordable. On average 44.4 were employed in 2016-17, 45.3 in 2017-18 and by 31/03/2019 it is anticipated that 42.6 FTE officers will be employed if there is no additional funding available.

- 2.6 Due to the workforce's age profile it is usual to have a situation where a number of the Commissioner's officers are on maternity or parental leave every year. Due to employees' terms and conditions, employing one officer for a period of 12 months to cover leave is an additional cost to the organisation of approximately £26,000. The reality of the situation is that 3 officers on average have been on leave in recent years. Since 1 April 2018 the Commissioner has not employed a new officer to cover maternity leave because it has not been affordable. Leaving the roles vacant will erode resources beyond 42.6 FTE and will have a further impact on the operational ability of the organisation's teams.
- 2.7 This Estimate includes a provision for the increase to the employer's pension contributions, following the valuation of the Civil Service Pension Scheme, advised to departments and public organisations, in a letter dated 07/09/2018 from the Cabinet Office. All plans in this Estimate include a request for finance to fund the additional unavoidable cost, as noted in 2.3 above, which is beyond the control of the Commissioner.
- 2.8 Over recent years there have been continuous efforts to manage the organisation's core running costs. The Commissioner's priority is to target expenditure in order to keep the organisation secure and up to date in terms of IT and enable the organisation to operate by providing basic resources. There has been no substantial investment in office facilities and resources or IT infrastructure in order to improve officers' ability to operate more effectively.
- 2.9 With the current budget, only expenditure on basic programmes is sustainable. The Commissioner monitors expenditure and the full-year forecast each month and where opportunities arise, due to savings in employment costs or core costs, expenditure is approved for appropriate projects.

Internal budget forecast for 2018-19: £3,218,000

2.10 Below are the financial requirements for 2018-19 for the main expenditure categories as follows:

- Officer employment costs : £2,261,000
- The organisation's core administrative running costs : £717,000
- Fixed assets depreciation : £47,000
- Programmes to deliver the strategy and the operational plan : £193,000

Strategic use of the reserve

2.11 The Commissioner continues to plan expenditure and make strategic use of the reserve in order to maintain the range of the organisation's work. A budget of £3,051,000 is not sufficient to maintain the organisation's base expenditure. Erosion of the reserve has been part of the Commissioner's strategic plans for two years.

2.12 The impact of this purposeful use was an overspend of £198,000 for 2017-18 and a reduction in the underlying reserves to £374,000 at the beginning of 2018-19. The plans for 2018-19 anticipate an overspend of £167,000 which will reduce the level of the reserve to £238,000 at the beginning of the 2019-20 financial year.

2.13 The Commissioner has stated, as noted in paragraphs 4.3 and 4.4, for a number of years that she considers the sustainable level of the reserve to be approximately £250,000.

2.14 The Plan A and Plan B options, which request additional funding, maintain a reserve of £238,000, which is considered sustainable.

2.15 On the other hand, the Plan C option assumes that the organisation's funding level is consistent with recent years, except for funding to finance the increase to pension costs. Despite this the impact of continued overspending over the medium term is further erosion of reserves, as noted in the table below.

	2018-19	2019-20	2020-21
	£000	£000	£000
At the beginning of the period	374	238	193
Underspend / (Overspend) during the period	(167)	(72)	(147)
Fixed assets depreciation 31/03/2018	31	27	16
At the end of the period	238	193	63

2.16 This means that the level of the reserve will be nearly £200,000 lower than the sustainable level by 31 March 2021. This would pose a risk to the Commissioner's financial situation in the event of unexpected expenditure or the need to defend court or tribunal proceedings.

Plan A

2.17 As noted in the foreword and in 2.1 above, the Commissioner requests additional funding which can be broken down as follows:

	2019-20	Ongoing
	£	£
Funding Strategic Priorities	521,000	297,000
Pension contributions	131,000	135,000
Running the organisation	95,000	85,000
	<hr/> 747,000	<hr/> 517,000

- Employing a full structure of officers and delivering additional programmes to realise the full objectives of the Strategic Plan (see 2.18 to 2.22)
 - Running the organisation through spending on core costs, prudent investment in the IT infrastructure and continuing with basic projects (see 2.23 to 2.29)
- 2.18 Funding is requested for some priorities in the Welsh Language Commissioner's Strategic Plan. These programmes anticipate an expenditure of £278,000 for 2019-20. Three significant pieces of work are outlined below detailing the objectives and their impact.

Funding Strategic Priorities

Objective 3 Priority 2

Promote efforts of organisations to self-regulate effectively and facilitate the work of sharing success and innovation

Increase the Use of Welsh

- promote the use of Welsh in the community
 - ensure that increasing numbers use Welsh language services
 - use the workforce and technology in efficient and innovative ways to provide Welsh language services consistently
- £147,000**

Through a combination of research, events, establishing a baseline and sharing solutions, close and positive contact with organisations, and producing guidance materials and successful practices, officers would support organisations to:

- produce and implement Welsh language promotion strategies;
- understand, measure and promote the use of Welsh language services, including a national publicity campaign; and
- ensure that organisations plan their workforce effectively, and ensure that technical solutions for facilitating service delivery enable the use of the Welsh language.

To support the project, we will use IT solutions to automate monitoring work, so that officers can concentrate more on supportive contact with organisations.

Promotion Strategies

- That every relevant organisation has a Welsh language promotion strategy which identifies
 - an ambitious target to maintain or increase the number of Welsh speakers;
 - clear actions to reach the target;
 - sufficient arrangements to monitor actions and collect data against the target;
 - clear accountability arrangements.
- That organisations apply the actions identified in the strategy continuously, and use the best methods to monitor progress
- That organisations update the strategies and any action plans to reflect improvements and new ways of working

Increasing Use

- That organisations collect information about the level of use of Welsh language services
- That organisations understand the reasons for Welsh speakers' decisions in terms of language choice, and methods which succeed in increasing use
- That organisations promote the use of their Welsh language services
- That organisations design all their services in order to facilitate their use in Welsh
- That the public feel that Welsh language services are as good as English language services in terms of availability and quality, and therefore choose to use them

Workforce and Technology

- That organisations assess Welsh language skills requirements correctly when recruiting, and succeed in attracting sufficient numbers of Welsh speakers, so that they can provide Welsh language services consistently and reliably, leading to an increase in user trust
- That organisations collect reliable information on their staff's Welsh language skills
- That organisations develop their workforce's Welsh language skills, and provide suitable support for them to do so
- That sufficient numbers of qualified Welsh speakers are available to meet the needs of organisations
- That organisations use efficient and innovative methods to provide Welsh language services, including organising the workforce effectively, working with other organisations and using technology
- That technological developments in service delivery facilitate, rather than prevent, the delivery of Welsh language services

Objective 4 Priority 3

Provide practical support for businesses and charities on the use of the Welsh language

Welsh Language Promotion Plan Quality Mark

- introduce a Quality Mark as recognition for operating a Welsh Language Promotion Plan for private companies and charities
- establish a procedure for monitoring attainment and encouraging continuous improvement
- invest in a marketing plan to raise awareness of the plan in order to attract more businesses and charities to commit to using Welsh through the Promotion Plan
- raise public awareness of the Promotion Plan as a way of showing where they can use the Welsh language

£107,000

Outcomes

Facilitate

- Enable the public to know and choose to use Welsh with businesses and charities that have committed to using the Welsh language

Partnership

- Acknowledge the efforts of over 600 companies and charities that have already committed to the Welsh Language Commissioner's Promotion Plan

Performance

- Increase the number of companies and charities that commit voluntarily to using the Welsh language through the Welsh Language Commissioner's Promotion Plan

Increasing Use

- That companies and charities promote the use of their Welsh language service
- That companies and charities design all their services in order to facilitate their use in Welsh through via the Quality Mark
- That the public feel that Welsh language services are as good as English language services in terms of availability and quality, and therefore choose to use them

Objective 4 Priority 4

Provide advice to organisations and others on matters relating to the infrastructure of the Welsh language

Provide expert and independent advice on the standardised forms of place names in Wales

Digital Mapping Research

- identify which layers of OS MasterMap data are a priority for Welsh organisations to receive in the Welsh language
- identify the resource needed in order to ensure this
- identify the procedures and resources needed and implement them in order to ensure that the data is maintained and updated
- identify the potential of language technology to facilitate and deliver the above actions

£20,000

Digital mapping infrastructure does not currently allow organisations to comply with the requirements of the standards. The Commissioner receives complaints from the public and challenges from organisations as a result of this shortcoming. Over the summer, the Cabinet Office announced its intention to publish key parts of the detailed and authoritative source of British mapping data, OS MasterMap, under open licence for businesses and the public. This is a crucial step towards realising the vision of an open geospatial infrastructure for the United Kingdom and it is claimed that it will provide a boost of £130m a year to the economy. Therefore it is timely that research is undertaken in order to ascertain which actions would be necessary to ensure that organisations and businesses in Wales can benefit fully from this development.

Outcomes

Technology

- Initiate the growth of language use in new technology which makes it easier for other organisations to operate in a more cost effective way when trying to meet the requirements placed upon them

Research Findings

- Demonstrate where action is needed

Infrastructure

- Strengthen the infrastructure of the Welsh language and enable organisations to comply with language duties

Employing officers : £243,000 and Pension : £131,000

- 2.19 In order to ensure that resources are in place to deliver the Commissioner's functions and duties, the staffing structure that has existed since 2015 should be continued but ensuring that 47 FTE roles are employed.
- 2.20 By employing officers to fill gaps in the structure on permanent contracts a permanent increase in the budget is needed. This means an additional cost of £243,000 for 2019-20, which increases to £297,000 for the following year.
- 2.21 This would not leave the equivalent of 4.4 roles vacant or partly vacant, which represents 10% of the organisation's workforce. It would also be possible to avoid a temporary erosion in the Commissioner's workforce while officers are on parental or maternity leave.
- 2.22 The impact of the change to employer pension contributions from 21% to 28% on average, following the pension scheme valuation, is to increase pension costs for Plan A by £131,000 in 2019-20 rising to £135,000 in 2020-21.

Funding to run the organisation

Basic Programmes and Projects : £40,000

- 2.23 Through the operational plans, the Commissioner attempted to ensure the greatest return from the resources and expenditure on basic programmes of £140,000 which is £40,000 higher than the baseline which is affordable within the current budget. A breakdown of expenditure by strategic aim can be found in paragraph 2.42.

Develop and improve IT infrastructure and systems : £50,000

- 2.24 The Commissioner's aspiration would be to invest in modern and innovative IT systems in order to transform the organisation's infrastructure and software. With the latest technology available to the organisation and its officers, this would enable a change in working methods in order to improve the effectiveness and efficiency of the organisation. It is estimated that this investment could be around £250,000.
- 2.25 In the context of a scarcity of public money and the period of change which faces the organisation over the coming years with the proposed Welsh Language Bill, it is acknowledged that the timing of significant investment needs to be considered in this context.
- 2.26 Therefore, the Commissioner requests a prudent investment of £50,000 in order to upgrade the existing infrastructure, operational systems and information management system to the most current versions.
- 2.27 The purpose and impact of the investment is that the systems and software infrastructure of the organisation is current, that the organisation has a high level of maintenance and support; and can manage risks and threats to a low level.
- 2.28 Without this investment the current systems would age and the Commissioner would not have assurance that they are supported and maintained. This would put the organisation in a situation of facing unacceptable risk.

The organisation's core running costs

2.29 Through the core costs, ensure investment in the organisation's office resources and IT infrastructure in order to make sure that these resources do not deteriorate over time. This will reduce the risk to the organisation by guaranteeing that the resources and the infrastructure remain current and continue to service the organisation and its stakeholders.

Summary of the impact of Plan A

- 2.30 The impact of these decisions (see also section 4) is that the spend noted in the financial plans for 2019-20 in Plan A noted above and in the table in 3.1 uses and anticipates maintaining reserves at a level of approximately £238,000 in the medium term (see paragraph 4.2).
- 2.31 Without the additional funding Plan A is not affordable. The fact that reserves will be maintained at a level considered to be prudent confirms the need for an increase in the budget.

Plan B

- 2.32 The Plan B option is similar to Plan A except for a presumption that it will not be possible to employ 47 FTE officers and fill the gaps in the structure. The presumptions in relation to employment are consistent with Plan C.
- 2.33 It is strongly felt that additional funding is required to fund work programs that are part of the Welsh Language Commissioner's strategic priorities. These include promoting increased use and regulatory work. These programs also support the Welsh Government's *Cymraeg 2050: Welsh language strategy*.
- 2.34 The Plan B option requests additional funding of £490,000 for 2019-20 in order to invest in the following plans:
- Additional projects - see 2.18
 - Pension contributions – see 2.39
 - Basic projects – see 2.23 to 2.28
 - The organisation's core running costs - see 2.29
- 2.35 The impact of Plan B is to maintain reserves of £238,000.

Plan C

- 2.36 This plan continues to operate with a level of employment, costs of running the organisation and basic projects similar to the current situation. Funding of £3,168,000 is assumed, an increase which corresponds to the change to pension contributions
- 2.37 The result of Plan C is that the organisation will be in a critical situation by the end of 2020-21 as noted in 2.15. Every element of expenditure has been reviewed in detail ac savings made where possible. Despite these efforts, under this plan it is unavoidable that a period of overspending will continue with reserves being eroded further and to an unsustainable level.

- 2.38 No significant change to the numbers of permanent officers, with any fixed term contracts brought to an end on 31/03/2019. This will reduce the number of officers to 42.6 FTE which is 10% lower than the organisation's full structure of resources.
- 2.39 Despite this there will be an increase of £117,000 to employment costs in 2019-20 as a result of the pension scheme valuation.
- 2.40 If an officer had the right to statutory parental or maternity leave it would not be possible to fill these roles, therefore there would be a temporary erosion in the organisation's resources. A reduction of this size would have an inevitable adverse effect on the organisation's ability to deliver.
- 2.41 Strict control of core costs would fund the minimum requirements to run the organisation based on an approach of tolerating a degree of risk.
- 2.42 Restricting the budget available for programmes and projects to basic projects only. This money is used to finance much of the Commissioner's proactive work, such as research; independent surveys; promotion and facilitation campaigns and presence in shows. The expenditure has been shared between the objectives of the 2018-21 Strategic Plan as follows:

Strategic Objective	£
Objective 1. Influencing policy	20,000
Objective 2. Extending people's rights to use the Welsh language	17,000
Objective 3. Ensuring compliance with duties	38,000
Objective 4. Facilitating wider use of the Welsh in non-statutory sectors	24,000
Implementing and Enabling	41,000
TOTAL	140,000

Conclusion

- 2.43 The Commissioner recommends strongly that Plan A should be accepted in order to ensure that the necessary resources are in place to employ the officers, implement the strategy and deliver the functions which are central to the organisation's work and which are required in accordance with the Welsh Language Measure and Government policy.
- 2.44 The consequence of working with fewer officers and a smaller programme budget would be to restrict the Commissioner's ability to contribute to developments in important policy areas. It would not be possible to undertake research relating to the use of the Welsh language; it would be difficult to expand the work of providing guidance and support to organisations regarding standards and to share successes. It would be more difficult for the Commissioner to meet and listen to the experiences of users and it certainly would not be possible to do more promotion and facilitation work with the private and third sectors. Any developments in infrastructure would slow down significantly and the Commissioner's ability to communicate about her work regularly and effectively would be affected.

3 Financial estimate and commentary

3.1 Presented below are details of the Welsh Language Commissioner's expenditure for the financial years 2019-20 to 2020-21 based on Plan A. This estimate shows an increase in expenditure over the period compared to 2017-18. In order to fund activities which are vitally important to the organisation's strategy, priorities and effective operation, a request is made for an increase of 20% to £3,798,000 for 2019-20. This would enable the organisation to maintain reserves of £238,000 as noted in section 4.2 below. If the funding level remained fixed at £3,051,000, Plan A of this estimate means that there would be a shortfall of more than £1,000,000 in the reserve by the end of 2020-21 or it would not be possible to deliver the Commissioner's functions and projects (see section 4).

Estimate based on Plan A

	Expenditure 2017-18 £000	Budget 2018-19 £000	Forecast 2018-19 £000	Estimate 2019-20 £000	2020-21 £000
Expenditure					
Salaries	2,169	2,231	2,261	2,614	2,672
<i>Office costs</i>	218	241	240	212	247
<i>Information technology</i>	157	163	166	165	167
<i>Services and administration costs</i>	67	64	67	71	70
<i>Recruitment, learning and development</i>	37	27	27	26	26
<i>Professional costs</i>	220	142	142	134	134
<i>Travel and subsistence</i>	84	75	75	83	81
Core Costs	783	712	717	691	725
Capital and Depreciation Costs	36	47	47	52	48
Programmes and Projects	261	141	193	468	415
TOTAL EXPENDITURE	3,249	3,131	3,218	3,825	3,585
Current budget from Welsh Ministers	(3,051)	(3,051)	(3,051)	(3,051)	(3,051)
Increase to the budget	-	-	-	(747)	(517)
OVERSPEND DURING THE PERIOD	198	80	167	27	17

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

Salaries

- 3.3 The current structure has been in place since January 2015. This structure contains 47 posts, as agreed with Welsh Ministers, and is a structure that is appropriate for responding to the Commissioner's functions in accordance with the Welsh Language (Wales) Measure 2011.
- 3.4 The following factors have had and continue to have a material impact on the employment costs of the organisation, these are noted below:
- the estimate has maintained national insurance for the employer at the same rates as 2018-19;
 - HM Treasury's cap of 1% per annum for public sector salary increases;
 - The Commissioner's officers are paid in accordance with Welsh Government terms and conditions. The current settlement continues until 31/03/2019. No information has been received in respect of a settlement after this date.
 - There is increasing pressure on employers in the public sector to agree to salary increases above the threshold of 1% a year as the period of economic hardship has continued for so long. This gives a higher level of uncertainty in relation to employment costs, which represent approximately 70% of the organisation's comprehensive costs.
- 3.5 As an employer, the Commissioner has no influence over the Cabinet Office in relation to pension contributions; however, the pension scheme valuation will have an impact on the employer's contributions.
- 3.6 On 28/09/2018 information came to light in a letter from the Cabinet Office in relation to the valuation. Although a final official statement is not expected until 2019 the letter advises that organisations plan on the basis of an increase to employer contributions to 28%.
- 3.7 Also the letter notes that "HM Treasury will be supporting departments with any unforeseen costs for 2019-20".
- 3.8 This Estimate has been prepared on the basis of an assumption of an increase to employer contributions. The impact on employment costs for the organisation under Plan A is £131,000 for 2019-20 with this cost increasing to £135,000 in 2020-21. In accordance with HM Treasury's letter the Commissioner is requesting additional funding for this increase.
- 3.9 It is noted in the foreword that the current funding level does not allow the current structure to be fully-resourced in the medium term. Three alternative plans are outlined in section 2 above.

Inflation

- 3.10 No increase for inflation has been included. In their Economic and Fiscal Outlook Report published in March 2018 the Office of Budgetary Responsibility foresees that the CPI measure of inflation will be 1.8% in 2018 and 1.9% in 2019 and 2.0% in 2020 (cumulatively 5.8% over 3 years). Whilst it is inevitable that inflation will have an impact on the Commissioner's costs, savings will need to be made in order to manage costs within the budget.

Offices

- 3.11 These costs include rent and other contractual commitments such as landlord services costs, non-domestic rates and office facilities services. Prudent measures were taken over recent years to manage and reduce office costs such as revising contracts, terminating unnecessary services and making savings by going out to tender.
- 3.12 Plans have been made to gain certainty in relation to the requirements and use of the Cardiff office as the ownership of the office changed in July 2018 and the current lease is coming to an end in December 2018. There will not be a commercial relationship with the Future Generations Commissioner for Wales after the current lease has come to an end. The new lease will be for office space 40% smaller than the current lease, which corresponds with the organisation's spatial requirements. The Commissioner has negotiated a rent-free period of 9 months which will save money in the first half of 2019-20. Office costs will increase and return to their usual level in 2020-21 after the rent-free period has come to an end.

Information Technology

- 3.13 The vast majority, £124,000 (75%), of the £165,000 expenditure on Information Technology represents contractual commitments to maintain systems and software and support services for core systems. By considering which systems are necessary and seeking savings where possible by going out to tender to test the market, the 2019-20 estimate proposes stable expenditure compared with the 2018-19 expenditure forecast.
- 3.14 Various costs of £21,000 are fixed and represent running costs of services.
- 3.15 The remainder of the £20,000 expenditure in the 2019-20 estimate is for developments to the various IT systems. The IT investment plan has been produced to ensure that essential and continuous updates to the organisation's IT infrastructure are completed in a timely manner in order to protect the organisation from any serious threats. The budget also includes money to invest to keep the organisation's infrastructure and systems updated.
- 3.16 The Commissioner wishes to make a significant investment in the organisation's IT infrastructure and software as part of Plan A, see 2.21 and 2.25 for details.

Services and administration

- 3.17 The costs include expenditure on the organisation's administration, such as communication and press monitoring services, photocopying and printing, payroll and pension services and post and distribution costs. The Commissioner adheres to good practice such as those promoted by Value Wales. The principle of ensuring value for money, on the basis of all life-cycle costs and the quality of goods and services bought, is followed at all times.

Recruitment, training and development

- 3.18 Recruitment costs, institutional and professional membership, seminars and conferences, qualification courses and training are included in this category. Between the financial years 2014-15 and 2017-18 significant savings of £54,000 were made, and a further saving of £10,000 is proposed for the 2019-20 Estimate. As noted below there are no opportunities to make further savings.

- 3.19 Expenditure on qualification courses and membership of professional bodies for individuals or the organisation is limited to circumstances where the qualification and/or the membership is necessary or vitally important and central to the functions of the role in question.
- 3.20 The remainder is expenditure on development training, seminars and conferences. The estimated expenditure for 2019-20 assumes a saving of £8,000 (43%) compared to 2017-18. It is unavoidable that cheaper and innovative methods are used to achieve officer training and development objectives within the budget, but it is not possible to cut the budget further without having an adverse impact on officers' effectiveness.

Legal and professional

- 3.21 These costs include expenditure on legal advice, internal and external auditors and translation services. Savings of around £3,000 are anticipated in terms of translation costs. By testing the market and appointing a supplier following a tendering process, £3,000 has been saved on the internal audit service compared with 2017-18. There is also a saving of approximately £15,000 in relation to consultancy costs due to one-off costs during 2017-18.
- 3.22 In terms of expenditure on legal advice, the nature of the requirements can vary significantly and it is not possible to fully anticipate the circumstances that can arise where advice is needed, particularly where new powers are exercised. The actual costs in 2017-18 were high compared with previous years due to costs arising from office leases, defending cases at the Tribunal and seeking legal advice in relation to exercising the Commissioner's functions and powers. The estimate anticipates that the 2019-20 costs will return to levels seen in previous years.

Officers' Expenses

- 3.23 Officers are the organisation's primary resource and therefore expenditure on travel will continue to be an essential element in order to ensure that the Commissioner's core functions are delivered effectively. Officers and their line managers are aware that they need to consider the need to travel and alternative methods of communication and contact in order to save costs and consider the impact on the environment.
- 3.24 Due to officers' travel needs to enable them to work effectively and an assumption that there will be specific needs at the beginning of the new Commissioner's term at the beginning of 2019-20; the 2019-20 estimate anticipates stable expenditure compared with the 2017-18 actual expenditure. This is an increase of £8,000 against the budget of previous years.

Capital and depreciation

- 3.25 The estimate for expenditure on capital and depreciation is £52,000 for the 2019-20 financial year. This is an increase compared with previous years. The increase is due to depreciation arising from investment in assets at the end of 2017-18 and investment plans during 2018-19.
- 3.26 This is for continued investment in information technology where necessary through the upgrading of IT equipment and changes to offices in order to provide a suitable environment and resources for the Commissioner's officers.

Income

- 3.27 The Commissioner receives an income by sub-letting the third floor of the office in Market Chambers, Cardiff under a lease. On 28/09/2016 a lease was signed by the Future Generations Commissioner for Wales for the third floor of the Cardiff office.
- 3.28 Income of £62,500 was received for 2017-18 and a forecast of £47,000 has been offset against office costs for 2018-19. The sub-lease comes to an end in December 2018 when the income stream comes to an end.
- 3.29 The Commissioner is not expected to receive income from any other source apart from Welsh Ministers.
- 3.30 A small amount of bank interest is received on the money provided by Welsh Ministers, through investment in deposit accounts.

Programmes and Projects

- 3.31 The options proposed by the Commissioner recommend different levels of funding as follows:
- | | |
|----------|----------|
| ○ Plan A | £468,000 |
| ○ Plan B | £468,000 |
| ○ Plan C | £140,000 |
- 3.32 The details of the projects proposed under these options can be seen in section 2 of the document.

4 Impact on reserves

- 4.1 The 2017-18 annual accounts state that there was £501,000 in reserves at the end of the financial year ended 31/03/2018. These accounts include receivables, sums due, prepayments and accruals. In order to understand the true value of the reserve the impact of the following transactions needs to be considered:

	£000	Debt collection and payments to creditors £000	Depreciation and prepaid expenditure £000	Balance remaining £000
Fixed Assets	84		(84)	-
Amounts receivable	19	(19)		-
Prepayments	63		(63)	-
Cash	858	(484)		374
Amounts payable	(125)	125		-
Deferred Income	(20)		20	-
Accruals and provisions	(378)	378		-
Reserves	501	0	(127)	374

- 4.2 At the beginning of the 2018-19 financial year the underlying value of reserves was £374,000. The table below estimates the effect on reserves of the budget for the years 2018-19 to 2020-21 in accordance with Plan A.

	2018-19 £000	2019-20 £000	2020-21 £000
At the beginning of the period	374	238	238
Underspend / (Overspend)	(167)	(27)	(17)
Depreciation on fixed assets at 31/03/2018	31	27	17
At the end of the period	238	238	238
Reserves without an increase to the budget (deficit shown in brackets)			
Plan A	238	(509)	(1,026)
Plan B	238	(252)	(777)
Plan C	238	76	(174)

- 4.3 It is considered that a minimum of 5% of the annual budget, approximately £150,000, needs to be kept in reserve for any unforeseen expenditure. We are now in a period where the Welsh Language Tribunal is in operation, and it is considered that it would be prudent to keep £100,000 in reserve for any legal proceedings which could arise.
- 4.4 Whilst it would be desirable to keep a reserve of approximately £250,000, without an increase in the budget, overspend over 2017-20 and the impact of the pension scheme valuation means that Plans A, B and C result in a deficit on reserves over the medium term. It would not be prudent or legal for an Accounting Officer to plan, approve or to allow a situation to arise where a deficit in reserves could put at risk the organisation's ability to continue to operate.

5 Robust and appropriate operation

- 5.1 The Welsh Language Commissioner is a sole corporation; as Accounting Officer, the Commissioner is personally responsible for administrating, managing and staffing the organisation in general. The Commissioner has established a management and governance framework and structures since the organisation's inception, and these have evolved and developed over those six and a half years. The framework and the structures include:
- The Management Team chaired by the Commissioner;
 - The Advisory Panel;
 - The Audit and Risk Committee;
 - Senior Officers who lead the management and administration of the organisation;
 - Policies and procedures setting out guidelines and control systems;
 - Internal and external auditors to give independent assurance.
- 5.2 The Commissioner has received robust and independent evidence and assurance over many years that the framework and structures are operated consistently and appropriately.
- 5.3 An annual external audit is held by the Wales Audit Office and an unqualified opinion has been received from the Auditor General for Wales for the six years since the establishment of the Welsh Language Commissioner.
- 5.4 The Auditor General has not raised any significant matters in his reports regarding the accuracy of the Annual Report or made any recommendations regarding the organisation's processes and management over the past three years.
- 5.5 An internal audit plan is developed and agreed annually between the Commissioner and the Internal Auditor and this plan is presented to the Audit and Risk Committee for approval.
- 5.6 Over recent years reports were received that provided the Internal Auditor's assurance that the organisation's governance and internal control arrangements operate appropriately in administrative and operational areas.
- 5.7 Meetings are held with stakeholders, partners and peers across wide areas, including organisational networks funded by the Welsh Government, in order to share experiences, ideas, information and good practice. These meetings also provide a forum for collaboration, and to avoid or reduce duplication of effort.
- 5.8 In particular, as in previous years, meetings were held with the Children's Commissioner for Wales, the Older People's Commissioner and the Public Services Ombudsman for Wales, individually and collectively. The main subjects of discussion at the meetings were to ensure the strategic co-ordination of our activities and appropriate use of resources.