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Dear Llyr

Civil service pension scheme – increase to employer contributions 2019

Our Estimate for 2019-20 referred to an expected increase in employer's pension contributions due to a valuation of the Civil Service Pension Scheme, which was being carried out at the time. In our letter of 10th January 2019, we promised to update you on the outcome of this valuation once the position was clearer.

Our expectation was for an average increase of around 7%, which would increase costs for the Wales Audit Office by £750,000. In giving evidence to the Committee last November, our Director of Finance, Steve O'Donoghue explained¹ our approach to financial planning and that such an increase, without any early warning, simply could not be absorbed. We explained to the Committee that our options would be either to come back to the Committee with a proposal to increase our call on the Welsh Consolidated Fund, or to look to pass it on through our fee charges, in which case we would need to come back to the Committee to agree a revised fee scheme as well as a revised Estimate.

On 7th February 2019 the Cabinet Office announced that part of the valuation process would be paused but that the valuation would be used to set employer contribution rates. To provide certainty they have set rates from 1 April 2019 based on the draft valuation results and plan to revise these from 1 April 2020 once the valuation has been completed. Now that the rates from 1 April 2019 have been confirmed, we have revised our estimate of the increased cost to the Wales Audit Office to be **£732,000**.

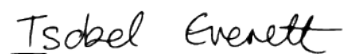
¹ <http://record.assembly.wales/Committee/5132#C133912> 07/11/2018 09:42:20 / Steve O'Donoghue

We understand that the Treasury may be providing some additional funding to help meet the costs falling on employers², but we have not received confirmation of this. Such funding for Wales would be via the Welsh Block and would therefore require a supplementary budget if we were to draw from it. We will continue to liaise with Welsh Government officials so as to get a clearer picture as soon as possible.

The WAO Board will be briefed on the situation at its March meeting and will discuss the risks around the different options available to meet the funding gap. Clearly, we will also be relooking at our existing budget to assess the scope to carve out further savings to offset the additional costs.

We will write again once we have a clearer picture.

Yours sincerely



ISOBEL EVERETT
Chair, Wales Audit Office



ADRIAN CROMPTON
Auditor General for Wales

² [Pensions: Written statement - HCWS1286](#) "... the Treasury is in the process of allocating funding to departments to help with these costs".
