

Finance Committee

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Assembly Commission Budget 2010-11 Re-presented

30 December 2009

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Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
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Dear Angela

Assembly Commission Approved Budget 2010-11

Further to my letter of 14 October 2009, I am now pleased to be able to provide further information in response to the Finance Committee's report on the Assembly Commission's draft budget for 2010-11.

Re-presented budget

Annex A provides the Commission's approved budget re-presented in accordance with the Committee's recommendations. Specifically, I confirm that budget lines include the Commission's best estimates of the expenditure likely to be incurred. The estimated cost assumptions around uncertainties such as pay settlements, previously included in the Contingency, have now been reallocated to the relevant budget lines.

Contingency

The re-presented budget now includes a contingency of £0.334 million for unforeseen circumstances. We have considered the adequacy of this amount very carefully and, although it is lower than the Finance Committee's suggestion of £0.5 million (circa 1% of the approved budget), we have concluded this is sufficient to allow us to manage our overall budgets effectively.

ICT development

The Committee asked about the Wales Audit Office's tests of reasonableness on the Commission's project to unify the network infrastructure for Assembly Members and staff.

The WAO were kept fully in the picture throughout the i-Change project, receiving regular updates on progress and offering some views on areas of concern. The report and recommendations were shared with the WAO and they commented upon them.

Although the WAO is not in a position to give approval for the next stage of i-Change, the UNO project, they have reviewed the work we have undertaken and accepted that the basis for our recommendations are robust, both technically and contractually.

Savings and efficiencies

We have considered our methodology for recording and measuring efficiency savings carefully in the light of the Committee's report. We also note the evidence given to the Committee by the Auditor General and the Finance Minister in respect of the Welsh Government's draft budget. You might be aware that the Wales Audit Office is reviewing its methodology on efficiency gains. We have therefore asked them to work with us on our approach to efficiency gains during 2010. In the latter part of 2010/11, this will include appraising the system and processes in place for setting targets and capturing and reporting outcomes.

Budget Framework

The various elements of the Commission's budget management arrangements have been brought together in a new Budget Framework, which is attached for your information. It builds on the Committee's recommendations on financial management and I will be seeking my Audit Committee's opinion on it in the New Year.

The document separates the arrangements for budget setting and approval from the arrangements for in-year monitoring of spend against budgets. You will note from the document that there will be occasions when we will not allocate the whole budget line to individual budget holders - particularly early on in the financial year. For example, we would not allocate the entire salaries budget if pay awards had not been agreed at the start of the year. In such circumstances the Finance Team will retain the unallocated amounts centrally until allocation is possible.

Our previous approach was to include provision for "uncertain" expenditure such as this within the Contingency whereas we have now

moved such provision to the relevant expenditure headings. We consider that the holding of unallocated amounts of budget lines in this way is similar to the approach adopted in many other organisations.

I would also like to add that two recent Internal Audit reviews of our Key Financial Controls and Budgetary Control have both concluded that there is substantial assurance that the controls upon which the organisation relies to manage these areas, as currently laid down and operated, are effective.

Future budgets

For 2011-12 and future years, the Commission will introduce a new budget ambit to cover spend determined under the remit of the proposed new independent Remuneration Board. We will also provide a combined document setting out our budget proposals and full briefing.

I hope this additional information provides the Committee with the assurances it sought. I would be happy to meet with you to discuss any aspect of the information. Indeed, if it would be helpful to you I would welcome the opportunity to meet from time to time to ensure that we provide you and your Committee with a clear and full picture.

Yours sincerely

CLAIRE CLANCY

CHIEF EXECUTIVE & CLERK TO THE ASSEMBLY

Annex A

Re - presented Approved 2010/11 Budget

National Assembly for Wales Assembly Commission Budget	2010-11 Represented Budget £000
<u>Revenue expenditure</u>	
Members' salaries, allowances and related costs	13,880
Staff salaries and related costs	14,726
Recruitment/other HR costs	151
Training & development costs	250
Staff travel and subsistence costs	208
Information and communications technology costs	4,258
Accommodation and facilities costs	7,181
Promoting Awareness and Understanding	896
Other administrative costs ¹	1,456
Contingency reserve	334
Depreciation and notional interest charges	5,068
Gross Revenue Expenditure	48,408
<u>Revenue income</u>	
Sales - the Assembly Shop	-40
Accommodation rental income	-90
Miscellaneous income	-80
Gross Revenue Income	-210
NET REVENUE EXPENDITURE	48,198
Capital expenditure - creation of fixed assets	775
Capital income - disposal of fixed assets	
NET CAPITAL EXPENDITURE	775
NET RESOURCE REQUIREMENT	48,973

¹ Other Administrative Costs includes items such as out sourced bilingual services, publication and information costs, postage, stationery and other general administrative costs.

The National Assembly for Wales Commission

Budget Management Framework

Purpose

The purpose of this document is to provide the Assembly Commission, Management Board and budget managers with information on the budget setting and approval process and guidance on in-year budget management and associated financial control issues.

The Framework is based on the principles that:

financial certainty, visibility and control needs to be maintained throughout all levels within the National Assembly for Wales;

financial resources are utilised in a regular and proper manner and having regard to the need to secure value for money in supporting the work of the Assembly;

budgets are delegated to where the expenditure is controlled;

Reports of outturn performance (against budget and forecasts) are needed at all levels within the organisation ranging from the Commission as a whole to individual budget holders at cost centre level.

Ownership and review

The Framework is owned by the Principal Accounting Officer and will be reviewed annually.

Changes to the framework are summarised below:

Version	Brief Summary of change	Date

Budget Setting and approval process

The budget setting and approval process is governed by Part 5 of the Government of Wales Act 2006 and Standing Order 27.

Standing Order 27.7 requires the Assembly Commission to lay a draft budget for the subsequent financial year not later than 24 September. The draft budget is then considered by the Finance Committee who will normally take evidence from Commissioners and senior staff. The Finance Committee must report on the draft budget within three weeks after it has been laid. The Commission then lays its final budget no later 30 October, with a motion that it be agreed by the Assembly (Standing Order 27.17(ii)). Once this motion has been agreed, the Welsh Government incorporates the amounts within the formal Budget Motion required under Section 125 under the 2006 Act.

The annual Budget Motion provides the statutory authority for the use of financial resources by the Assembly Commission, the income which may be retained and the amount of cash that may be drawn from the Welsh Consolidated Fund. All expenditure must be within the amounts and ambits detailed in the Budget Motion - otherwise it would be deemed irregular.

The Chief Executive and Clerk, as Principal Accounting Officer, has a personal responsibility for ensuring the regularity and propriety of financial transactions and for securing value for money in the use of resources. This duty involves ensuring that a sound financial framework is put in place and is effective.

The Principal Accounting Officer has delegated authority to incur expenditure and enter into contracts to Heads of Services and other Team Leaders as appropriate. These individuals are known as the Budget Managers.

Guidance on budget manager responsibilities, delegation and limits are set in the formal delegation process (links/reference).

Guidance on financial processes procedures and terminology can be found in the Financial Services Manual (links/reference).

Budget delegation and allocation

A formal delegation is made to each Budget Manager before the start of the new financial year. At the same time, financial allocations will be made to individual cost centres for which the budget managers are responsible.

Normally these allocations will be fixed amounts that are not subject to change. However, Financial Services may hold some allocated amounts centrally in certain circumstances. For example, amounts available for pay settlements may not be allocated until agreement has been reached with the trade unions. Another example of an amount being held centrally will be where a project is awaiting approval and commencement.

Other changes to the budget allocations will exceptionally be considered in the following circumstances:

Significant changes to the organisational structure of the National Assembly that are best supported by new cost centres or changes to budget allocations; or

A significant change to an existing project; or

Provisional to final budget allocation; or

Changes resulting from a Supplementary Budget Motion.

Such changes will need to be authorised by the Principal Accounting Officer on the advice of the Director of Finance.

Budgets allocated include provision for non-recoverable VAT. Expenditure and income are separated, capital and resource expenditure are separated. The allocations will be accompanied by a clear target for efficiency savings (links/reference).

Provisional allocations

To aid financial planning, provisional budgets will be notified to budget holders three months before the start of the financial year. These provisional allocations together with any unallocated amounts retained centrally and a contingency for unforeseen circumstances will agree to the amounts authorised in the Assembly Budget Motion.

The provisional amounts will be updated and finalised by 31 March and profiled into 12 periods to reflect budget managers' planned expenditure pattern.

The final budget and its profiled expenditure will remain fixed for the duration of the year except in circumstances described in paragraphs 13/14 above. This is vital in providing transparency within the organisation. It also facilitates the measurement of actual performance against plans.

Budget Management - in-year monitoring and control

Expenditure and income recorded against budgets is monitored for each cost centre and for the organisation as a whole. All budgets, income and expenditure are recorded on the CODA Finance system which is the only authoritative source of financial information for the Assembly.

For the first quarter of the new financial year, the reporting process will monitor actual and committed spend against the profiled budget. However, as plans change and estimates give way to firm figures, under and overspend against the budget will naturally occur. These will be managed and reported throughout the year by amending forecasts. A forecast will not necessarily equal the budget as the forecast concentrates on the expected year end position (or outturn). A forecast includes the impact of changes to the estimates that underpinned the budget.

Actual expenditure (and income) will be reported against budget and forecast profiles to provide early warning of unexpected variances. Each Budget Manager is responsible for the accuracy of their outturn forecast and for providing detail in support of variances. The corporate requirement is to report on monthly variances that exceed 2.0%.

Budget Virement

A Budget Manager may not commit the Assembly to incur expenditure outside of their budget delegation without the documented approval of their Director and the Head of Finance. Under and over spends against specific expenditure headings will need to be balanced within the budget manager's overall allocation, except where:

the underspend arises from staff costs; or

the underspend is in excess of £20k.

All under spends from Staff Costs and any savings from Non-Staff Costs in excess of £20,000 are returned to the central unallocated amounts held in Financial Services. These amounts are routinely reported to the Principal Accounting Officer and the Director of Finance through the Management Board and can be used to:

fund prioritised projects; and/or

offset (provide additional budget to) areas where it is unreasonable to expect budget managers to cover the overspend; and/or

any other use as authorised by Principal Accounting Officer.

The amount of the under spend up to a maximum of £20,000 may be used by the Budget Manager to offset planned over spend in the same year on activities within his/her service area and delegated responsibility. Such changes will be reflected in the forecast outturn; will not require specific approval; and will not usually require a budget virement (but see exceptional circumstances in paragraph 13 above).

Resources not used during the financial year cannot be used in subsequent financial years unless re-authorised by an Assembly Budget Motion. Unspent cash held by the Commission at the financial year end is surrendered to the Welsh Consolidated Fund - in practice by reducing the amount for the next year's authorised grant.

Contingency

The Assembly Commission sets aside a small sum as a contingency for use in response to unforeseen circumstances. The contingency may only be used to fund unforeseen and unplanned expenditure and requires the authorisation of the Principal Accounting Officer or the Director of Finance.

Annex B National Assembly Costs Centres

Directorate	Cost Centre	Code
ASSEMBLY COMMISSION SERVICES		
CEO	Corporate Unit and CEO Office	B01
Legal	Legal Services	B02
CEO	Change Programme	
Assembly Operations Directorate		
Operations	Human Resources	B03
Operations	Estates & Facilities Management	B04
Operations	Financial Services	B05
Operations	Member Support Services	
Operations	ICT	B07
Operations	UNO Project	
Operations	External Communications	B12
Operations	Pierhead Project	
Operations	Security	B13
Operations	Capital Charges	B92
Operations	Procurement and Sustainability	B18
Assembly Business Directorate		
Assembly Business	Members' Research Service	B08
Assembly Business	Legislation & Chamber Services	B09

Assembly Business	Translation and Reporting Service	B10
Assembly Business	Committee Service	B11
Assembly Business	Co-ordination Unit	B17
MEMBERS' Remuneration		
	Members' Pension (non-cash)	
-	Members' Pay & Allowances	B06

Cost Centre B05 Financial Services	Resource £000s	Capital £000s	
Staff Costs	Description		
B0501	Staff salary costs		
B0507	Overtime		
	Staff Sub-total		
Other Expenditure (Non-Staff Costs)			
B0601	Staff travel - Car Hire		
B0602	Staff travel - own car mileage		
B0603	Staff - Overnight Accommodation UK		
B0607	Air travel UK Staff		
B0609	Train/Tube UK - Staff		
B0611	Other travel UK - Staff		
B0613	Subsistence & other expenses UK		

	Staff T&S Sub total		
B0705	Childcare Vouchers		
B0808	ICT Contracted-Out Services		
B0809	ICT Consultancy		
B1207	Stationery		
B1209	Hospitality		
B1214	Payroll Management		
B1217	Publications		
B1225	Venue Hire		
B1228	Banking Charges		
B1231	Consultancy		
B1250	Pensions Admin		
	Sub-total		
Income			
B1403	Other Retainable Income		