

The National Assembly for Wales Commission

DRAFT BUDGET PROPOSALS 2010-11



Cynulliad National
Cenedlaethol Assembly for
Cymru Wales

To be branded by External Comms

THE NATIONAL ASSEMBLY FOR WALES COMMISSION

DRAFT BUDGET FOR THE YEAR ENDING 31 MARCH 2011

Summary

1. This draft budget submission is laid before the National Assembly for Wales in compliance with Standing Order 27. It will assist in the compilation of the Annual Budget Motion required by Section 125 of the Government of Wales Act 2006. The submission covers the resource and cash requirements of the National Assembly for Wales Commission (the Assembly Commission) for the year ending 31 March 2011 and provisional amounts for the subsequent two years.

2. The Budget Motion will authorise the net resources to be used for the services and purposes of the Assembly Commission, the maximum income (or accruing resources) that may be retained for use on those services and purposes instead of being paid into the Welsh Consolidated Fund, and the cash amount that will need to be issued from the Welsh Consolidated Fund to meet the anticipated net amounts falling due for payment by the Commission. The 2010-11 Draft Budget for the Assembly Commission, addressing these requirements, is set out below:

Table 1: The Assembly Commission 2010-11 Draft Budget

	£000
Resources other than accruing resources for use by the National Assembly for Wales Commission on revenue and capital costs associated with the administration and operation of the National Assembly for Wales ("the Assembly"); promotion of the Assembly including payments to the Electoral Commission and others; payments in respect of the Commissioner for Standards; payments in respect of the National Assembly for Wales Remuneration Board; any other payments relating to functions of the Assembly or functions of the National Assembly for Wales Commission.	48,973
Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the National Assembly for Wales Commission: <ul style="list-style-type: none"> • From the disposal of fixed assets and other capital income for use on the purchase or acquisition of fixed assets; • Rental income; gifts; grant support; income from commercial sales and other services provided to the public or others for use on administrative costs of the Assembly. 	210
Amount to be issued from the Welsh Consolidated Fund to meet the anticipated amounts falling due for payment in the year in respect of the above services and purposes less expected retainable receipts and recoverable VAT.	43,405

3. *Annex 1* aligns the Draft Budget for 2010-11 by Service/function against the Assembly Commission's Strategic Aims for the Third Term of the Assembly.
Annex 2 allocates the proposed new spend against revenue and capital classifications.
Annex 3 analyses the resource budget by type of expense and income
Annex 4 reconciles the net resource requirement to the cash drawing requirement from the Welsh Consolidated Fund.

Governance, Strategy and Delivery

4. May 2007 saw the creation of the Assembly Commission under the Government of Wales Act 2006. At an early stage, the Commission agreed its purpose for the Third Term of the Assembly: *to make the Assembly an accessible and effective parliamentary body that inspires the confidence of the people of Wales.*
5. Five supporting strategic goals were established, to guide service and resource decisions:
 - **To promote and widen engagement in devolution**
Through our work we will demonstrate that the Assembly is working for all citizens and encourage greater and more active participation in the democratic process.
 - **To show unity, leadership and a bold response to constitutional change**
We will provide services that deliver scrutiny and legislation of the best quality and support Members in all that they do as elected representatives.
 - **To demonstrate respect, probity and good governance in all our work**
All that we do must stand up to intense external scrutiny. Our work will be transparent and reflect the diverse nature of Wales and its languages.
 - **To work sustainably**
We will provide the highest achievable level of sustainability in managing our work and estate.
 - **To ensure that the Assembly has the best service, provided in the most effective way**
We will seek continuous improvement in the services provided for Members and the people of Wales, while demonstrating wise and effective use of resources and value for money.

6. The Assembly Commission also established and operates a framework for governance and internal control, including financial standards and other key policy drivers, such as sustainability and equalities. Four Independent Advisers were appointed to ensure that the Assembly Commissioners and the Commission's senior management are supported and constructively challenged in their roles. The Advisers' responsibilities include performance monitoring and maintaining a critical overview of the Commission's financial controls and risk management procedures. We also work closely and constructively with our internal auditors and external auditors – the Wales Audit Office.
7. The Commission's Corporate Governance Committee consists of the Commissioner for Assembly Resources, William Graham AM, and three of the Commission's Independent Advisers. This Committee performs a role similar to that of an audit committee in other public and major private sector organisations. It advises the Commission on matters relating to risk, audit, good governance and financial practice and provides assurance to the Accounting Officer who attends meetings along with relevant colleagues. Representatives from the Wales Audit Office and our internal auditors, RSM Bentley Jennison, also attend.
8. To drive forward performance against the strategic goals, the Commission has strengthened the organisation in a number of areas, including an improved approach to risk management, business continuity planning and the introduction of a comprehensive leadership development programme.
9. The Commission's on-line Annual Report and Accounts for 2008-09 highlight the achievements during the year, which included:
 - The first ever Assembly Measure, the NHS Redress (Wales) Measure 2007, was passed on 6 May 2008 and was the first bilingual law ever to be passed in Britain.
 - A further four Assembly measures were passed
 - 3 Legislative Competence Orders (LCOs) were made conferring legislative powers on the Assembly.
 - Another seven Orders had undergone pre-legislative scrutiny by Assembly Committees, including two proposed by backbench Members
 - The first Committee-proposed Measure was introduced – the National Assembly for Wales Commissioner for Standards Measure developed by the Committee on Standards of Conduct proposing to give the Commissioner for Standards a statutory role
 - To achieve this, Legislative Committees held 85 meetings, the Subordinate Legislation Committee met on 32 occasions and scrutiny Committees held 257 meetings

- They have been supported in this role by the Commission's legal and clerking teams, and the production of 4,425 pieces of work by the Members' Research Service
 - The e-Petitions system received its 150th petition since its launch in April 2008
 - The new outreach education service reached over 23,000 pupils, and over 145,000 people visited the Senedd during the year. Siambr Hywel, Europe's first dedicated youth debating chamber, was opened by Prince Charles in April 2008.
10. The Auditor General for Wales issued an unqualified report on the Commission's 2008-09 Accounts. Financial performance management reports are produced regularly and are considered by the Commission and Management Board. The budgetary outturn for 2008-09 was within 4.7% of the £46.181million resource budget. The underspend consisted of the following:
- 1.8% in relation to Members' Pay and Allowances due to lower than anticipated movements in pension provision 0.6%; lower than anticipated Assembly Member salary related costs 0.3% and lower than anticipated spend on Assembly Member allowances 0.9%. These underspends have been factored in to our assumptions for 2010-11
 - 1.1% in relation to Commission services, primarily due to Contingency funds not needing to be fully utilised
 - 1.8% in relation to depreciation and notional interest charges resulting from an overestimate of the forecast costs.

Update on 2009-10

11. The Commission's original resource budget for 2009-10 is £47.751 million, being an increase of 3.4% on the 2008-09 approved budget. The increase is funding unavoidable costs, such as contractual commitments and pay and price inflation, and investment to support the Commission's goals, enabling the Assembly to grow and continue to function effectively under the Government of Wales Act 2006. The investment includes ICT systems, such as Legislation software to support Assembly Measures, and the Assembly Members' Allowances Publication System. It also involves improving the Assembly's outreach services, and a programme of activities across Wales over the year to mark the Assembly's 10th Anniversary – all to strengthen engagement with the people of Wales. We are also enhancing capacity in our corporate responsibilities, such as sustainability, financial governance and ensuring resources are in place to support the growing legislative workload of the Assembly, explained further in the following paragraphs.

12. Committee activity continues to increase. The number of committee meetings, both legislative and scrutiny in 2008-09 was 374. As indicated at this time last year Plenary time had increased to 9 hours per week. Committee activity is not expected to be any less in 2010-11 and increases in legislative activity, explained below, will continue to impact on both legislation committees and Plenary time.
13. The legislative programme supported by the staff and other resources provided by the Commission grew very substantially during the second year of the Commission's existence. In the first year the programme had consisted of one Proposed Assembly Measure and the equivalent of between 4 and 5 Proposed LCOs. This grew, in 2008-09 to three Proposed Measures passed, another which was close to approval and three others under consideration, together with the equivalent of 3 Proposed LCOs considered. During 2009-10 it is expected (based on legislation already under consideration and on the Assembly Government's proposed legislative programme for the next 12 months) that the Commission's resources will need to support consideration of around 8 Proposed Measures and 4 Proposed LCOs. A similar level of legislative activity is likely to be maintained in 2010-11 which will be the fourth and final year of the Third Assembly.
14. The Commission's budget proposals for 2009-10 identified a number of additional developments on the horizon that could impact on the budget, most notably a major review of ICT-related services to the Assembly and to improve and further support the Assembly's ability to widen public engagement (*i-change*). Within this, the need to create a unified IT network bringing together the Members' systems with those of the Commission has since been agreed, separating the ICT infrastructure for the Assembly from that of the Welsh Government. After careful consideration of the costs and benefits, the Commission has decided to seek a supplementary budget of £1.950 million in 2009-10 to part fund the total cost of £2.667 million. The balance of £0.717 million will be met through savings and the Commission's contingency budget.

Budget Proposals for 2010-11

15. For the future, the Commission must continue to anticipate, plan for and respond to its changing workload, demands of the Assembly and its Members and engage effectively with the people of Wales. In particular, and in addition to normal operational activities, the Commission must plan for and implement the recommendations arising from the Independent Review Panel on financial and other support for Assembly Members.

16. However, the Commission is mindful of the current economic conditions and the resulting pressures on the public sector and people in Wales. In response, the Commission has succeeded in restricting its proposed budget increase for 2010-11 to 2.6%, establishing a resource budget of £48.973 million. This has involved some difficult decisions and will be challenging against uncertain future economic conditions. It is in line with the overall 2.6% estimated increase in funding coming to Wales for the year. The following paragraphs describe the rationale for this budget.
17. Table 2 provides a comparison between the 2009-10 and draft 2010-11 net resource budgets:

Table 2: Budget Comparison 2009-10 and 2010-11

	Revenue	Capital	£000 Total
Net 2009-10 approved budget for the Assembly Commission:	47,042	709	47,751
Net 2010-11 resource requirement (draft budget)	48,198	775	48,973

18. The proposed increase of £1.222million (2.6%) is made up of two components - spend on Commission services and Members Pay and Allowances, and, non-cash charges, namely interest on capital, depreciation and provisions.
19. The spend on Commission services and Members Pay and Allowances comprises increases and savings set out in table 3:

Table 3: Increases and savings 2009-10 to 2010-11

	£000
Costs reductions	
○ One off projects completed	-1,194
○ Savings in budgets to reflect reduced demand/activity	-412
○ Realignment of budgets in line with historic spend and base-budget review of significant costs	-1,008
	-2,614
Cost increases for 2010-11	
○ New spend as detailed in Annexes 2 (excluding the non-cash charges for depreciation/notional interest)	2,066

- Incremental salary increases for Assembly staff and Member Support Staff 902

2,968

Budget increase arising from the above

354

20. The above movements would have resulted in a budget increase for 2010-11 of only 0.7%. However the non-cash element of the budget, which comprises notional interest on capital, depreciation charges and provisions, has increased as a result of capital projects scheduled for completion in 2009-10. The completion of these capital projects equates, in accounting terms, to the acquisition of fixed assets, which increases the depreciation charge that has to be accounted for. These projects include the Pierhead and unification of the IT network. The non-cash charges add £0.868 million to the budget, which results in a budget proposal of £48.973 million for 2010-11.
21. In view of their uncertainty, the Commission has intentionally not budgeted for some specific pressures though costs are bound to be incurred and will have to be met. These are: pay settlements or pay inflation for Members, Support Staff and Assembly Staff; general inflation; any costs arising from the independent review of financial and other support to Assembly Members; and, the operational implications in establishing the new Pierhead visitor facility. It is the Commission's intention to fund additional costs through identifying further savings and efficiencies, and drawing on the contingency budget.
22. As noted above, the Commission recognises the challenging fiscal environment and financial constraints which the public sector and economy as a whole are facing. The Commission took a view that it should seek to limit expenditure where possible now and to plan for a period of consistent but prudent expenditure over the next three years. The final draft budget includes resources at a level sufficient to deliver its key objectives, while also delivering value for money and efficiency. The approach in compiling the budget and the controls in place to manage the budget through the year, are summarised below:
- Inflationary forecasts for 2010 suggest RPI at 2.5%, CPI at 1% and, more relevant to the Assembly's expenditure on supplies and services, a GDP deflator of 1.5% for 2010-11. Inflationary costs have not been factored in to the budget due to the uncertainty in the forecasts at this time.
 - A base-budget review was carried out on the high-cost budget lines, in particular in operational support services such as accommodation and ICT. This identified opportunities for cost-reductions, some of which have been incorporated into the draft

budget and some which will be developed over the coming year, such as retendering contracts and reviewing how best we can continue to achieve expected standards but in a more cost-effective way. The Commission's drive for improved efficiency is to support service delivery, not compromise it, through improving what is delivered within the resources available by focusing on cost control, efficiency and service standards. It is through achieving further savings and efficiencies that the unfunded pressures on the budget, identified above, will be met.

- Proposals for new spend were considered against the Commission's strategic goals and priorities for the budget strategy, being:
 - Ensuring that the Commission continues to deliver against its statutory responsibilities, maintaining standards and services to the Assembly and its Members
 - Providing a unified network and delivery of a business change programme to realise longer-term efficiencies and service improvements – investing now to save later
 - Delivering Assembly estate commitments, such as establishing the new Pierhead visitor facility and reducing the carbon impact of the Assembly estate
 - Managing the outcome of the independent review of financial and other support to Assembly Members
 - Reviewing pay and conditions of Assembly Staff
 - Preparing for the next elections and Fourth Assembly, taking into account the costs of changes in Assembly membership.
- Controls in place to manage the budget and service standards include:
 - Performance monitoring of key activities as part of the Commission's Performance Management Framework
 - Robust financial management through the year
 - A review of all Assembly staff posts which become vacant
 - A virements policy, controlling decisions about the use of contingency funds

Forward look

23. Indicative forward-look budgets are set out in the table below. These take account of estimated inflationary and forward-planned costs only, which include committed costs that arise at particular points of the four-year electoral cycle, and expenditure for essential asset replacement. In refining these indicative budgets the Commission will seek to maintain a strategy of tight and steady financial management, including delivery of increasing efficiencies, where possible. Any

changes in Assembly workload, Members' requirements, inflation levels or other new developments will be contained within existing resource levels as far as is possible, but clearly could require changes to these indicative budgets.

24. In particular, the costs arising from the Assembly Elections in 2011 have not been factored in due to their unpredictable and variable nature, not least in terms of the number of Members that change in the Election. As in 2007, the supplementary budget process is the most appropriate manner in which to address this.

**Table 3: Indicative resource and cash budgets
for 2011-12 and 2012-13**

	£000	
	2011-12	2012-13
Indicative Revenue Budget (excluding accruing resources)	52,423	52,176
Indicative Capital Budget (excluding accruing resources)	2,210	700
Indicative Accruing Resources Budget	210	210
Indicative Cash Budget	46,703	46,008

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Assembly Commission: Alignment of 2010-11 Draft Budget by Service and Strategic Goal

<i>Service/function</i>	To promote and widen engagement in devolution	To show unity, leadership and a bold response to constitutional change	To demonstrate respect, probity and good governance in all our work	To work sustainably	To ensure the Assembly has the best service, provided in the most effective way	£000 Budget
Corporate Unit ¹	193	193	676	290	580	1,932
Legal Services ²	99	198	99	65	198	659
Assembly Business Directorate ³	1,286	1,541	719	523	2,621	6,690
Assembly Operations Directorate ⁴	4,281	1,798	5,172	3,204	5,366	19,821
Non-cash items ⁵	1,114	1,114	1,114	1,113	1,113	5,568
Contingency ⁵	240	240	240	240	240	1,200
Total Commission Services	7,213	5,084	8,020	5,435	10,118	35,870
Members' salaries & allowances, Office Holders' salaries, Members' staff salaries ⁶						13,103
Assembly Commission Budget						48,973

See page 9 for an explanation of the above Services/functions.

Explanation of Services/function

¹ Corporate Unit

The Corporate Unit provides Secretariat services to the Assembly Commission and Management Board; Support to the Presiding Officer and Chief Executive; and is responsible for Records Management, Freedom of Information, Internal Communications and Audit Management. There are 26 staff in this service. New spend in 2010-11 relates to additional staff resources to provide management of the i-change programme and to head internal audit, a service previously contracted out.

³ Assembly Business Directorate

This directorate provides specialist parliamentary support to Members to ensure the efficient and effective conduct of business. It is made up of the Committee Service; the Legislation and Chamber Service; the Members' Research Service; and the Translation and Reporting Service. There are 134 staff in this directorate.

⁵ Non-cash items / Contingency

Non-cash items consist of charges for the depreciation of capital assets, such as the Senedd building and its contents, and a notional interest charge reflecting the cost of capital utilised by the Commission. Notional interest is charged on the net asset value, except for donated assets and cash balances with the Office of the Paymaster General. It also includes adjustments to the Members' Pension Fund provision. The Contingency offers a prudent degree of flexibility for the Commission to be able to respond to unexpected/variable demands etc. in year, without having to return to the Assembly with a supplementary budget request. It reflects the accounting regime which prevents unused resources and cash from being rolled forward from one year to the next.

² Legal Services

Legal Services provides: Advice on Legislative Competence Orders and Measures; Advice on legislative competence; Scrutiny of Subordinate Legislation; Advice to Committees and Members in support of their scrutiny of Government; and Corporate Advice. There are 10 staff in this service.

⁴ Assembly Operations Directorate

This directorate provides communications and operational support for the Commission, all Assembly Members and the public who visit the Assembly estate. Major projects for 2010-11 include updating broadcasting, upgrades to ICT software in the Siambr and activities to strengthen engagement with the people of Wales. There are 204 staff in this directorate.

⁶ Members' salaries & allowances, Office Holders' salaries, Members' staff salaries

Total cost of salaries including pension and national insurance contributions is £5.300m. Assembly Members receive allowances to operate their constituency offices and employ staff to support them in their activities as Assembly Members. The cost of employing staff including pension and national insurance contributions is £6.100m whilst allowances are £1.703m. The Pay and Allowances of Assembly Members are set out in 'Determinations', which can be found at www.assemblywales.org.

New spend proposals 2010-11 to support the strategic goals

	Revenue	Capital	£000 Total
<i>Improving efficiency and delivery through investment in IT Systems:</i> Changes to broadcasting in the Senedd, upgrades to Medialon software in the Siambr, purchase and installation of additional servers, network routers and switches for the Senedd and a project to plan for replacing ICT for Members at the 2011 election.	174	700	874
<i>Strengthening engagement activities connecting with the people of Wales:</i> Assembly focus - a programme of activities across Wales over the year; improved outreach services connecting with communities; developing e-democracy technology.	25	75	100
<i>Supporting the work of the Assembly:</i> meeting the cost of staff recruited to reflect the increasing work of the Assembly, improving efficiency and known increase in fixed costs such as utilities, rates, and ICT contracted out services	892	-	892
<i>Non cash - Increased depreciation charge:</i> Increased depreciation charges as a result of capital spend in 2009-10	868	-	868
<i>Increased Contingency</i> Level of Contingency increased to 2.5% of budget to cover uncertain future inflation	200	-	200
2010-11 NEW SPEND PROPOSALS	2,159	775	2,934

Budget analysed by type of expense and income

	2010-11 Budget	2009-10 Budget	£000 2008-09 Actual
<i>Revenue expenditure</i>			
Members' salaries & allowances, Office Holders' salaries, Members' staff salaries	13,652	14,005	12,369
Staff salaries including inward secondments	14,338	13,871	12,193
HR costs including recruitment and health and safety equipment	151	176	283
Corporate training & staff/AM training and development costs	250	250	270
Staff travel and subsistence costs	208	230	158
ICT costs including website, broadcasting & licence and maintenance costs	4,008	3,978	4,017
Accommodation and facilities costs including rates, electricity, catering, cleaning and maintenance	7,181	7,169	8,349
Public engagement and communications costs, including visitor services, outreach and national events	896	921	548
Other administrative costs ¹	1,456	1,652	1,698
Depreciation and notional interest charges	5,068	4,200	3,972
Contingency	1,200	1,000	-
Cost savings & efficiencies identified in-year	-	-250	-
Gross Revenue Expenditure	48,408	47,202	43,857
<i>Revenue Income</i>			
Sales from the Assembly Shop	-40	-40	-31
Accommodation rental income	-90	-90	-76
Miscellaneous income	-80	-30	-
Gross Revenue Income	-210	-160	-107
NET REVENUE EXPENDITURE	48,198	47,042	43,750
Capital expenditure - creation of fixed assets	775	709	260
Capital income - disposal of fixed assets	-	-	-
NET CAPITAL EXPENDITURE	775	709	260
NET RESOURCE REQUIREMENT	48,973	47,751	44,010

¹ Other administrative costs include items such as bilingual services, publications and electronic information, postage and stationery and other general administrative costs.

Reconciliation of net resource requirement to cash drawing requirement from the Welsh Consolidated Fund

	£000		
	2010-11	2011-12	2012-13
Net Revenue Requirement	48,198	50,213	51,476
Net Capital Requirement	775	2,210	700
<i>Adjustments:</i>			
Non-cash charges (depreciation, notional interest)	-5,068	-5,220	-5,668
Impairments	-	-	-
Movements in provisions	-500	-500	-500
Profit/loss on sale of assets	-	-	-
Movements in stocks	-	-	-
Movement in debtors and creditors	-	-	-
Use of provisions	-	-	-
Other	-	-	-
Net cash requirement for issue from the Welsh Consolidated Fund	43,405	46,703	46,008