

Agenda – Finance Committee

Meeting Venue:	For further information contact:
Committee Room 3 – Senedd	Bethan Davies
Meeting date: 6 February 2020	Committee Clerk
Meeting time: 09.00	0300 200 6565
	SeneddFinance@assembly.wales

- 1 Introductions, apologies, substitutions and declarations of interest**
(09.00)
- 2 Paper(s) to note**
(09.00) (Pages 1 – 5)
Minutes of the meeting held on 23 January 2020
Minutes of the meeting held on 29 January 2020
- 3 Local Government and Elections (Wales) Bill: Evidence session 2**
(09.00–10.00) (Pages 6 – 40)
Julie James AM, Minister for Housing and Local Government, Welsh Government
Cath Wyatt, Local Government and Elections Bill Manager, Welsh Government
Lisa James, Deputy Director Local Government Democracy, Welsh Government
Claire Germain, Deputy Director Transformation and Partnerships, Welsh Government

Research brief
- 4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting**
(10.00)



5 Local Government and Elections (Wales) Bill: Consideration of evidence

(10.00–10.30)

6 Consideration of the Assembly Commission Supplementary Budget 2019–20

(10.30–10.45)

(Pages 41 – 55)

Paper 1 – Letter from the Commissioner and Supplementary Budget 2019–20 Explanatory Memorandum

7 Consideration of the Wales Audit Office Supplementary Budget 2019–20

(10.45–11.00)

(Pages 56 – 65)

Paper 2 – Wales Audit Office Supplementary Budget 2019–20 Explanatory Memorandum

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 5 – Tŷ Hywel

Meeting date: Thursday, 23 January
2020

Meeting time: 09. – 10.31

This meeting can be viewed
on [Senedd TV](#) at:

<http://senedd.tv/en/5980>

Private

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM (Chair) Rhun ap Iorwerth AM Alun Davies AM Mike Hedges AM Rhianon Passmore AM Mark Reckless AM David Melding AM (In place of Nick Ramsay AM)
Witnesses:	
Committee Staff:	Bethan Davies (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Second Clerk) Samantha Williams (Deputy Clerk) Martin Jennings (Researcher) Joanne McCarthy (Researcher) Owen Holzinger (Researcher)



1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the meeting. David Melding AM attended as a substitute for Nick Ramsay AM.

2 Welsh Government Draft Budget 2020–21: Consideration of draft report

2.1 The Committee considered the draft report and relevant letters on the Welsh Government Draft Budget 2020–21, and agreed the report subject to changes.

Concise Minutes – Finance Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Wednesday, 29 January
2020

Meeting time: 09.02 – 10.36

This meeting can be viewed
on [Senedd TV](#) at:

<http://senedd.tv/en/5986>

Attendance

Category	Names
Assembly Members:	Llyr Gruffydd AM (Chair) Alun Davies AM Mike Hedges AM Rhianon Passmore AM Mark Reckless AM David Melding AM (In place of Nick Ramsay AM) Siân Gwenllïan AM (In place of Rhun ap Iorwerth AM)
Witnesses:	Jon Rae, Welsh Local Government Association Anthony Hunt, Welsh Local Government Association Daniel Hurford, Welsh Local Government Association
Committee Staff:	Leanne Hatcher (Second Clerk) Samantha Williams (Deputy Clerk) Owen Holzinger (Researcher) Ben Harris (Legal Adviser)



1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members and witnesses to the meeting, including Siân Gwenllian AM as a new Member of the Finance Committee.

1.2 The Chair thanked Rhun ap Iorwerth for his contribution to the Committee.

1.3 David Melding AM attended on behalf of Nick Ramsay AM.

2 Paper(s) to note

2.1 The minutes and paper were noted.

2.1 **Letter from the Minister of Health and Social Services on financial implications of the Health and Social Care (Quality and Engagement) (Wales) Bill – 14 January 2020**

3 Local Government and Elections (Wales) Bill: Evidence session 1

3.1 The Committee received evidence from Jon Rae, Director of Resources, Welsh Local Government Association; Cllr Anthony Hunt, Spokesperson for Finance and Resources, Welsh Local Government Association; and Daniel Hurford, Head of Policy, Welsh Local Government Association on the Local Government and Elections (Wales) Bill.

4 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting

4.1 The motion was approved.

5 Local Government and Elections (Wales) Bill: Consideration of evidence

5.1 The Committee considered the evidence received.

6 Impact of variations in national and sub-national income tax: Consideration of consultation responses and witnesses

6.1 The Committee considered the consultation responses and agreed its schedule of witnesses for oral evidence sessions.

7 Retention payments in the construction sector: Inquiry update

7.1 The Committee received an update on the progress of the inquiry and agreed to write to the Minister with its findings.

Agenda Item 3

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted

Cynulliad Cenedlaethol Cymru
Comisiwn y Cynulliad

National Assembly for Wales
Assembly Commission

Llyr Gruffydd AM
Chair of Finance Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
CF99 1NA

28 January 2020

Dear Llyr

I am writing to bring to the Committee's attention the Commission's proposed change to its approved 2019-20 budget through the Supplementary budget process. The Commission is proposing to

- increase the Annually Managed Expenditure (AME) budget by £0.15 million
- decrease the Remuneration Board's Determination budget by £0.500 million.

The AME Budget

The Commission's AME budget is for the non-cash accounting adjustment in respect of the future financial liability of the Assembly Members' Pension Scheme and is an accounting adjustment rather than a cash requirement.

The actual value of AME cannot be calculated until after 31 March 2020. The Commission therefore seeks a professional estimate of the year end value during the financial year. Actuarial advice received indicates that the liability could be £1.6 million which is above the budget figure of £1.5 million. Therefore, the Commission proposes to increase the AME Budget by £0.150 million. This will not impact on the cash requirement as this is a non-cash accounting adjustment.

The Remuneration Board's Determination Budget

The Remuneration Board's Determination budget for 2019-20 is set at £16.197 million. The December 2019 forecast for this budget line is £14.954 million, an underspend of £1.243 million.



Budget meetings with Members' Business Services (MBS) have indicated that there is a high likelihood of £500,000 of this remaining budget remaining unutilised.

It would not be considered prudent to reduce this budget line by £1.243 million due to the changes being introduced by the Remuneration Board during 2019-20 and the likelihood of unexpected items impacting on this budget e.g. death in service payments and late claims.

We are mindful of our commitment regarding any underspend against the Remuneration Board Determination budget in this and in future years. Accordingly, we are adopting the same principle as 2018-19 for the unutilised sum identified this year; we will not draw down the £500,000 and we present this supplementary budget to amend the original laid budget.

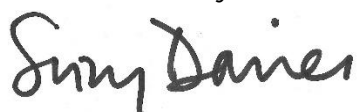
This underspend of £500,000 has already been recognised in the 2020-21 budget, where the Commission has increased the Determination vacancy provision (i.e. reduced the budget) by an additional £500,000.

The effect on the overall Commission budget for 2019-20 will be as shown in the table below:

	Approved Budget £m	Proposed Supplementary Budget £m	Proposed revised Budget £m
Resource Budget	£40.291		£40.291
Members' budget	£16.197	-£0.500	£15.697
AME Budget	£1.500	+£0.150	£1.650
Total	£57.988	-£0.350	£57.638

In accordance with Standing Order 20.32 the Commission will be laying an explanatory memorandum with this request. A copy of this document is attached for your convenience. If you need further information, please let me know.

Yours sincerely



Suzy Davies

cc Manon Antoniazzi, Nia Morgan

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English



Supplementary Budget 2019-20: Explanatory Memorandum

February 2020



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

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Supplementary Budget 2019-20: Explanatory Memorandum

February 2020



Croeso
i'r Senedd

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Welcome
to the
Senedd

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1. Introduction

The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

The budget for the Assembly Commission is used to meet the running costs of the National Assembly for Wales and the costs of Assembly Members' Salaries and Allowances as determined by the independent Remuneration Board.

The Assembly Commission ("the Commission") serves the National Assembly for Wales ("the Assembly") to help facilitate its long-term success as a strong, accessible, inclusive and forward looking democratic institution and legislature that delivers effectively for the people of Wales.

Its function is to provide the National Assembly with the staff, property and services required to fulfil this role.

Assembly Members carry a significant responsibility and privilege representing the interests of Wales and its people, making laws for Wales, agreeing Welsh taxes and holding the Welsh Government to account. It is the Commission's role to provide high quality specialist staff and support services to ensure Members are fully equipped to undertake their scrutiny, legislative and representational roles and meet the expectations of the people of Wales.

The Commission's strategic goals for the Fifth Assembly are to:

- provide outstanding parliamentary support;
- engage with all the people of Wales and champion the Assembly;
- use resources wisely.

2. Background

The Commission's 2019-20 Budget was included in the Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 14 November 2018, following scrutiny by the Assembly's Finance Committee.

The budget motion provided the Commission with £57.023 million of Resource Budget in relation to:

- £39.326 million for Assembly services; and
- £16.197 million for the Remuneration Board's Determination for Assembly Members.

A further £1.500 million was provided for non-cash accounting adjustments in respect of the Assembly Members' Pension Scheme, through the Annually Managed Expenditure budget.

In line with Standing Order 20.32 an Explanatory Memorandum was laid, supporting a variation to the Commission's 2019-20 budget within the Supplementary Budget Motion (standing Order 20.30). The Supplementary Budget Motion was approved in Plenary on 9 July 2019 following scrutiny by the Assembly's Finance Committee.

This second Explanatory Memorandum is laid in compliance with Standing Order 20.32, in support of further changes to be proposed to the Commission's approved 2019-20 budget, via Supplementary Budget Motion.

2.1. Explanatory memorandum

The effect of the Commission's supplementary budget will be to increase Annually Managed Expenditure in line with projections and to decrease the Remuneration Board's Determination for Assembly Members in line with projections.

2.2. Annually Managed Expenditure (AME)

The Commission's AME budget is for the **non-cash** accounting adjustment in respect of the future financial liability of the Assembly Members' Pension Scheme. The purpose of this adjustment is to ensure a true and fair view of the Scheme liability is recorded in the balance sheet of the Commission; it does not reflect the monetary sums paid by the Commission into the Scheme. There is no associated cash requirement and making changes to it has no impact on the Commission Resource budget or service delivery.

The final value cannot be calculated until after 31 March 2020, but estimates are requested from professional advisors during the year. Based on calculations reflecting known changes to the discount rate and other variables which impact on the estimated liabilities of the scheme, the latest estimate is £1.600 million.

The Commission is therefore proposing a supplementary AME budget of £1.650million in order that there is sufficient contingency to manage any variation from the estimate in the final year-end figures.

2.3. Remuneration Board's Determination for Assembly Members

The Remuneration Board is the independent body that determines the pay and remuneration of Members and their staff and the system of financial support needed for Members to fulfil their responsibilities as elected representatives.

The Determination provides funds to cover the expenses associated with being a Member and / or an Office Holder, for example:

- running an office and engaging with constituents;
- salaries and travel expenses of the support staff;
- residential accommodation in Cardiff for Members whose home is a significant distance away (eligibility criteria apply); and
- support for the Party Groups and policy research.

The final costs cannot be calculated accurately until after 31 March 2020, with forecasts made during the year. Based on current expectations, mainly due to staff vacancies, not all of the funds budgeted for support staff salaries and other allowances are likely to be called upon.

The Commission is therefore proposing a supplementary budget for the Remuneration Board's Determination for Assembly Members of £15.697 million in order that there is sufficient contingency to manage any variation from the estimate in the final year-end figures.

2.4. Budget impact

The Supplementary Budget Motion proposes the following:

- an increase in the AME budget of £0.150million, to £1.650 million.
- a decrease in the Remuneration Board's Determination budget of £0.500million, to £15.697 million.

3. Budget Ambit

This supplementary budget submission is laid in compliance with National Assembly for Wales Standing Order 20.32 to assist in the compilation of the Budget Motion required by Section 126 of the Government of Wales Act 2006. This submission seeks to amend the resource and annually managed expenditure requirements of the Commission for the year ending 31 March 2020.

The Supplementary Budget Motion will authorise the net resources to be used for the services and purposes of Members and Assembly Services. The motion includes 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. It will also set out 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 amended 2019-20 Budget for the Commission, addressing these revised requirements, is set out in Table 1.

Table 1: 2019-20 Supplementary Budget for the Commission against requirements

Assembly Commission requirements	2019-20 £'000
Resources other than accruing resources for use by the National Assembly for Wales Commission ("the Commission") on resource and capital costs associated with the administration and operation of services to support 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 and Remuneration Board; any other payments relating to functions of the Assembly or functions of the Commission. Resources other than accruing resources for use by the Commission in respect of decisions of the Remuneration Board and expenditure in respect of Assembly Members' Pension provision.	£57,638
Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Commission from the disposal of fixed assets and other capital income for use on the purchase or acquisition of fixed assets, rental income, gifts, grants, cheques, recharges and income from commercial sales and other services provided to the public or others for use on administrative costs of the Assembly.	£220
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.	£54,088 Table 2

Table 2: Reconciliation of the new resource requirement to the cash drawing requirement from the Welsh Consolidated Fund

Net Cash Requirement	2019-20 £'000
Members' net revenue requirement	£15,697
Commission net revenue requirement	£39,791
Net capital requirement	£500
Annually Managed Expenditure	£1,650
Subtotal	£57,638
Adjustments	
Depreciation	(£2,250)
Movements in provisions	(£1,650)
Movement in debtors and creditors	£350
Subtotal	(£3,550)
Net cash requirement from the Welsh Consolidated Fund	£54,088



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Explanatory Memorandum to the Finance Committee Regarding the Variation of the Estimate of the Wales Audit Office for the Year Ending 31 March 2020

Date issued: January 2020

Document reference: the Publishing team assigns this

Explanatory memorandum

Submitted to the Finance Committee of the National Assembly for Wales for consideration under Standing Order 20.35.



Adrian Crompton
Auditor General for Wales



Isobel Everett
Chair, on behalf of the **Wales Audit Office**

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Purpose of this explanatory memorandum

Introduction

- 1 For each financial year, the Wales Audit Office must submit an annual estimate of its income and expenditure to the Finance Committee of the National Assembly. The Committee must examine that estimate and lay it before the National Assembly after making any amendments that it considers appropriate.
- 2 The Estimate for the Wales Audit Office for 2019-20 was included in the Welsh Government's Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 15 January 2019 following scrutiny by the Finance Committee.
- 3 A [Supplementary Estimate](#) for additional costs associated with increases to employer's pension contributions due to a valuation of the Civil Service Pension Scheme was considered by Finance Committee on 15th May 2019 and included within the [Welsh Government First Supplementary Budget Motion](#) tabled in June 2019.
- 4 The authorised Estimate of the Wales Audit Office consists of:
 - £14.475 million of accruing resources, generated through fees charged to audited bodies
 - £7.878 million of other resources in support of our expenditure plans for the year.
 - £9.586 million of cash funding from the Welsh Consolidated Fund.
- 5 Taking accruing and other resources together (not cash), this £22.353 million is used to fund the costs of the Wales Audit Office in delivering its duties under the Public Audit (Wales) Act 2013.
- 6 The Wales Audit Office now seeks to amend the approved Estimate for the year ending 31 March 2020.

Reason for change

- 7 The Finance Committee is well versed in the complexity of our fee regime and the difficulties associated in accurately estimating the amount of income that will be delivered in any one financial year.
- 8 Although fees are agreed with each individual audited body for the year, the audit work itself falls across financial years. Precise timing of when the audit work is delivered can result in significant year on year variations, in terms of in which financial year the income is recorded in our accounts. As an example, work for a May deadline could equally be delivered in March or April without impacting audit delivery but the resulting income will be recognised in a different financial year depending on when the work is done.

- 9 In recent months, in line with our drive for earlier delivery of our audit projects and collaborative working across our audit teams, the amount of fee earning work being delivered in this financial year has increased beyond the levels anticipated in our approved Estimate. We are currently estimating an additional £300,000 of accruing resources as a result.
- 10 To be clear, we are not charging audited bodies any more than we had planned to¹, we just anticipate more income now being accounted for within this financial year than we had originally estimated.
- 11 We have worked hard to deliver this additional income in this financial year and plan to use the additional resources to invest in workforce planning via our voluntary exit scheme. This will support our medium-term financial plan by delivering ongoing savings and enable us to reshape our workforce with the different skills and competencies we need to deliver our organisational priorities
- 12 We will review the impact of this earlier delivery in reassessing our income base (accruing resources) for 2020-21.

¹ Unless agreed locally and arising from specific additional audit work needed.

Revised Estimate 2019-20 for inclusion in the Welsh Ministers' Supplementary Budget Motion under section 126 of the Government of Wales Act 2006

Under section 126 of the Government of Wales Act 2006 ('the 2006 Act'), Ministers may move a Supplementary Budget Motion in the National Assembly to authorise the use of resources, retention of income and drawings of cash from the Consolidated Fund for certain relevant persons, including the Wales Audit Office.

In respect of the services and purposes of the Wales Audit Office in the year ending 31 March 2020, the Budget Motion will authorise:

- the amount of resources to be used by the Wales Audit Office;
- the amount of resources accruing to the Wales Audit Office which may be retained (rather than paid into the Consolidated Fund); and
- the amount which may be paid out of the Consolidated Fund to the Wales Audit Office.

These requirements, which due to the variability of income streams can only be estimates, are summarised in [Exhibit 1](#) below.

Exhibit 1: Summary of the estimated 2019-20 budget requirements

£'000

Resources other than accruing resources for use by the Wales Audit Office on the discharge of the statutory functions of the Wales Audit Office, the Auditor General and local government appointed auditors, and on the administration of the Wales Audit Office:

- Revenue 7,668
- Capital 210

Accruing resources from fees and charges for audit and related services; other recoveries of costs associated with the functions of the Auditor General; miscellaneous income from publications, conferences and provision of administrative and professional and technical services; for use by the Wales Audit Office on related services and the administration of the Wales Audit Office.

14,775

Net cash requirement from the Consolidated Fund to meet the net amounts falling due for payment in the year by the Wales Audit Office.

9,586

Explanation of adjustments to resource budgets

- 13 As this change is related to the timing of income delivery and not to the timing of fees billed to audited bodies there will be no change to our net cash requirement. Further detail is provided in [Appendix 1](#).
- 14 The budget changes required are set out in [Exhibit 2](#).

Exhibit 2: Budget changes 2019-20

	First Supplementary Estimate 2019-20 £'000	Second Supplementary Estimate 2019-20 £'000	Revised Estimate 2019-20 £'000
Revenue resource	7,668	-	7,668
Capital resource	210	-	210
Accruing resources	14,475	300	14,775
Total expenditure	22,353	300	22,653

Summary

- 15 [Exhibit 3](#) provides a summary of the revised capital and revenue resources and net cash requirement, which remain unchanged, on approval of this supplementary estimate.

Exhibit 3: Summary of revised 'other' resources and cash requirements 2019-20

	'Other' resources request £'000	Net cash requirement £'000
Revenue resource	7,668	9,376
Capital resource	210	210
Total – approval sought	7,878	9,586
Current approved limit	7,878	9,586

Wales Audit Office Income and Expenses 2019-20 (revised)

		Estimate, year to 31 March 2020 (Second Supplementary) £'000	Estimate, year to 31 March 2020 (First Supplementary) £'000	Change from approved Estimate 2019-20 £'000
Expenses	Staff costs	16,217	15,917	300
	Short-term contracted staff	737	737	-
	Travel and subsistence	1,216	1,216	-
	Accommodation	993	993	-
	Private sector firms (including VAT)	905	905	-
	Balance of irrecoverable VAT	500	500	-
	ICT	480	480	-
	Wales Audit Office Governance Arrangements	300	300	-
	External training	289	289	-
	Translation of documents	165	165	-
	Legal and professional fees	162	162	-
	Other supplies and services	479	479	-
	EXPENSES TOTAL	22,443	22,143	300
	Income	Audit fees	13,577	13,277
Grant certification fees		1,198	1,198	-
INCOME TOTAL		14,775	14,475	300
	Total revenue budget to be funded by WCF	7,668	7,668	-

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