

Peredur Owen Griffiths AS
Chair of Finance Committee
Welsh Parliament
Tŷ Hywel
Cardiff Bay
CF99 1SN

24 January 2023

Dear Peredur

I am writing to bring to the Committee's attention the Commission's proposed change to its approved 2022-23 budget through the Supplementary budget process.

In summary, the Commission is proposing a decrease to its resource budget of £1.075 million, the majority of which relates to the budget earmarked for the Independent Remuneration Board's Determination, and a decrease to its net cash requirement of £0.975 million.

The Commission is proposing the following changes:

- **Staffing costs** – a decrease of £130k in the overall budget and net cash requirement, to reflect the reversal of the increase in employer National Insurance contributions from 6 November 2022 and a decrease of £100k in the overall budget to reflect an anticipated reduction in the provision for accrued annual leave.
- **Reduction to the budget identified for the Independent Remuneration Board's Determination on Members' Pay and Allowances** – a decrease of £695k (£750k including £55k of employer National Insurance contributions) in the overall budget and net cash requirement to reflect an anticipated underutilisation of the 2022-23 budget.
- **Reduction in the budget to support the administration of the Independent Remuneration Board and the Office of the Standards Commissioner** – a decrease of £150k in the overall budget and net cash requirement to reflect an anticipated underutilisation of the 2022-23 budget.
- **International Financial Reporting Standard (IFRS) 16 – Leases** – an additional adjustment to reflect the accounting requirements of IFRS 16. There is no change in the overall budget and no change in the net cash requirement.

The Commission is therefore proposing a Supplementary budget for a total Budget of £63.928 million, a decrease of £1.075 million. The net cash requirement will be £58.592 million a decrease of £0.975 million as set out in table 2 of the Explanatory Memorandum.



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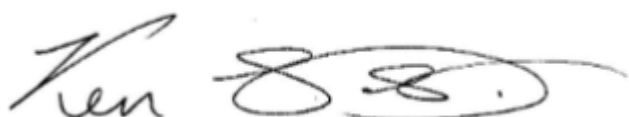
The effect on the overall Commission budget for 2022-23 is shown in the table below:

£M	Approved Budget	Proposed National Insurance Adj	Proposed IRB and other staffing adjustments	Proposed revised Budget
Resource Budget	£45.077	(£0.075)	(£0.100)	£44.902
Determination Budget	£17.552	(£0.055)	(£0.695)	£16,802
Standards Commissioner	£0.097	-	(£0.025)	£0.072
Remuneration Board	£0.477	-	(£0.125)	£0.352
AME Budget	£1.800	-	-	£1.800
Total	£65.003	(£0.130)	(£0.945)	£63,928

In accordance with Standing Order 20.32, following your Committee's consideration of this request, the Commission will be laying an explanatory memorandum noting this Second Supplementary Budget request.

A copy of this explanatory memorandum is attached for your convenience and includes greater detail on these proposed changes. If you need further information, please let me know.

Yours sincerely



Ken Skates MS
cc Manon Antoniazzi

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

Second Supplementary Budget 2022-23: Explanatory Memorandum

January 2023



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Second Supplementary Budget 2022-23: Explanatory Memorandum

January 2023





Senedd Cymru
Welsh Parliament

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Background

The **2022-23 Commission Budget** was included in the Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 17 November 2021, following scrutiny by the Senedd's Finance Committee.

The budget motion provided the Commission with £62.942 million of Resource Budget in relation to:

- £43.425 million for Senedd services; and
- £17.552 million for the Remuneration Board's Determination for Members of the Senedd.

A further £1.800 million was provided for non-cash accounting adjustments in respect of the Members of the Senedd Pension Scheme, through the Annually Managed Expenditure budget and £0.165 million was provided for costs associated with the office of the Standards Commissioner.

In line with Standing Order 20.32 an **Explanatory Memorandum** was laid on 10 June 2022, supporting a variation to the Commission's 2022-23 budget within the Supplementary Budget Motion (standing Order 20.30). The Supplementary Budget Motion was approved in Plenary on 12 July 2022 following scrutiny by the Senedd's Finance Committee.

This increased the Commission's budget to £65.003 million, primarily as a result of non-cash adjustments to reflect the implementation of International Financial Reporting Standard (IFRS) 16 – Leases.

This second Explanatory Memorandum is laid in compliance with Standing Order 20.32, in support of changes to be proposed to the Commission's approved 2022-23 supplementary budget, via a second Supplementary Budget Motion.

Explanatory memorandum

The effect of the Commission's supplementary budget will be to decrease the overall Commission budget by £1.075 million and decrease the net cash requirement by £0.975 million. The following changes are proposed:

- A decrease to the staffing budget to reflect the reversal in the increase in employer National Insurance contributions and the likely reduction in the provision for accrued annual leave.
- A reduction to the budget identified for the Independent Remuneration Board's Determination on Members' Pay and Allowances.
- A reduction to the budgets to support the administration of the Independent Remuneration Board and the office of the Standards Commissioner's Office.

In addition, a further review of the accounting adjustments required during 2022-23, due to International Financial Reporting Standard (IFRS) 16 - Leases, has highlighted the need to amend three lines of the budget, there is no impact on the overall budget and no change in the net cash requirement.

Staffing costs

The Commission's 2022-23 First Supplementary Budget **Explanatory Memorandum** (laid on 10 June 2022), proposed an increase of £175k in Commission staff costs, in response to the increase in employer National Insurance contributions by 1.25% from April 2022. This increased the net cash requirement by £175k.

In September 2022 the UK Government announced a reversal of this increase in employer National Insurance contributions from 6 November 2022.

The impact of the reversal on the Commission is in the region of a £75k reduction in Commission staff costs and around a £55k reduction in Member and Member staff costs – for the period 6 November 2022 to 31 March 2023.

The Commission is therefore proposing a supplementary budget which would decrease the budget for Commission staffing costs by £75k and decrease the costs earmarked for the Independent Remuneration Board's Determination by £55k. This will also decrease the net cash requirement by £130k.

Independent Remuneration Board's Determination for Senedd 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 2023, with forecasts made during the year. Based on current expectations, mainly due to staff vacancies, not all of the funds budgeted for 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 Senedd Members of £16.802 million, a reduction of £0.750 million, which includes the £55k noted above. This provides sufficient contingency to manage any variation from the estimate in the final year-end figures.

Costs to support the administration of the Independent Remuneration Board and the Office of the Standards Commissioner

In addition to the budget earmarked for the Remuneration Board's Determination, there are also ring-fenced amounts within the Commission budget for the costs identified to support the Independent Remuneration Board and for the Office of the Standards Commissioner.

The final costs cannot be calculated accurately until after 31 March 2023, with forecasts made during the year. Based on current expectations, mainly due to staff vacancies, not all of the funds budgeted for salaries are likely to be called upon.

The Commission is therefore proposing a supplementary budget which reduces the budgets for costs identified to support the Independent Remuneration Board and the Office of the Standards Commissioner by £125k and 25k respectively. This will also decrease the net cash requirement by £150k.

International Financial Reporting Standard (IFRS) 16 - Leases

The Commission's first supplementary budget for 2022-23 included adjustments to reflect the implementation of IFRS 16.

Following review, the three figures shown in the table below require adjustment to reflect the correct accounting treatment for irrecoverable VAT on rental payments. The net overall impact on the 2022-23 operational budget is £0.

Description	2022-23		2022-23
	Supplementary Budget (Laid)	Adjustments	Adjusted Total
Office Rentals	£40	£460	£500
Depreciation	£5,650	(£240)	£5,410
Interest	£1,100	(£220)	£880
Total	£6,790	£0	£6,790

The Commission is therefore proposing a supplementary budget which amends three lines of the budget, there is no impact on the overall budget and no change in the net cash requirement.

Budget impact

The Supplementary Budget Motion proposes the following:

- A decrease in the Commission's budget of £1.075 million.
- A decrease in the net cash requirement of £0.975 million.

Budget Ambit

This supplementary budget submission is laid in compliance with Senedd Standing Order 20 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 Senedd Commission for the year ending 31 March 2023.

The Supplementary Budget Motion authorises the net resources to be used for the services and purposes of Members and Senedd 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, 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 amended 2022-23 Budget for the Senedd Commission, addressing the revised requirements, is set out in Table 1 below.

Table 1	Revised £000
<p>Resources other than accruing resources for use by the Senedd Commission (“the Commission”) on resource and capital costs associated with the administration and operation of services to support the Senedd; promotion of the Senedd 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 Senedd or the Commission.</p> <p>Resources other than accruing resources for use by the Commission in respect of decisions of the Remuneration Board and expenditure in respect of Members of the Senedd Pension provision.</p>	63,928
<p>Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Commission:</p> <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; or ▪ rental income; gifts; grants; interest on working balances, recharges and income from commercial sales and other services provided to the public or others for use on administrative costs of the Senedd. 	220
<p>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.</p>	58,592

Table 2 below reconciles the net resource requirement to the cash drawing requirement from the Welsh Consolidated Fund.

Table 2: Cash requirement	£'000	£'000
	2022-23	2022-23
	Laid	Revised
Members' net revenue requirement	17,552	16,802
Office of the Standards Commissioner	97	72
Independent Remuneration Board Costs	477	352
Commission net revenue requirement	44,561	44,386
Net capital requirement	516	516
Annually Managed Expenditure	1,800	1,800
Subtotal	65,003	63,928
Adjustments		
Depreciation	(5,650)	(5,410)
Interest charges/Capital adjustments	(1,116)	(896)
Rental payments	2,780	2,320
Movements in provisions	(1,800)	(1,700)
Movement in debtors and creditors	350	350
Subtotal	(5,436)	(5,336)
Net cash requirement from the Welsh Consolidated Fund	59,567	58,592
Decrease		£0,975