

Peredur Owen Griffiths AS
Chair of Finance Committee
Welsh Parliament
Tŷ Hywel
Cardiff Bay
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5 November 2024

Dear Peredur

Thank you for your Committee's **Report on the Scrutiny of the Senedd Commission Draft Budget 2025-2026**, published on 21 October 2024. The Commission's response to the Finance Committee's recommendations is detailed in **Annex A**.

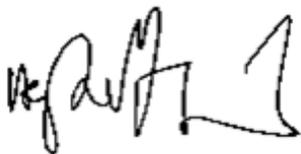
I am pleased that the majority of the Committee supports the overall request for resources in 2025-26. As in previous years, the Commission intends to provide as much transparency as possible over budget-setting and management; as is the case in the current financial year, the Senedd Reform and Ways of Working Programme budgets will be managed as separately identifiable ringfenced areas of spend.

I welcome the opportunity to provide further information on some of the key areas within the Commission's Draft Budget, including Senedd Reform, Ways of Working and projects, and also look forward to continued engagement with the Committee and Members as we develop the budget and Medium-Term Resourcing Framework for 2026-27 and beyond.

I am pleased that the Committee recognises the support provided by the Commission in supporting its staff and their wellbeing. We continue to be committed to ensuring all our staff have the right support in these pressured times.

I would like to thank the Committee for its scrutiny and I look forward to the debate on the Commission Budget motion on the 20 November. If there is any further information your Committee would like to have, please do not hesitate to let me know.

Yours sincerely



Hefin David MS
cc Manon Antoniazzi, Ed Williams

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



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Annex A – Finance Committee Conclusion and Recommendations

Conclusion 1. The Committee notes the Senedd Commission’s intention to remove the £456,000 relating to staff back-pay from its budgetary proposals for 2025-26 should the First Supplementary Budget 2024-25 be approved by the Senedd on 22 October, and expects that these figures are removed from the Commission’s final budget prior to its consideration by the Senedd later in the autumn term

To confirm, as indicated in the initial Draft Budget document submitted for scrutiny, the Final Budget has removed the £456k provision for the backpay of relevant Commission staff required in order to settle the 2024-25 element of our TUS pay claim. The total budget request for 2025-26 is therefore reduced by £456k to £83.845million.

Recommendation 1. The Committee notes the ‘Senedd Commission Draft Budget 2025-26’ and, by majority, recommends the Senedd supports this budget, subject to the comments and recommendations in this report.

Noted.

The Commission is grateful to the Committee for its support and detailed analysis.

Recommendation 2. The Committee recommends that the Senedd Commission undertakes regular scrutiny sessions with the Committee to discuss how the Commission’s budget preparations are evolving for the 2026-27 financial year.

Accepted.

The Commission welcomes the Finance Committee’s scrutiny and comment on the Commission’s financial management processes, specifically on budget development and management. We are committed both to transparent adherence to the Committee’s Statement of Principles and to ensuring that Members’ views are fully taken into account within our budgetary framework. The end-to-end timetable for the production of the 2026-27 budget and Medium-Term Resourcing Framework will be developed to include Finance Committee scrutiny points at the key stages, and we stand ready to attend meetings whenever required.

Recommendation 3 - The Committee recommends that the Senedd Commission, in accordance with the Statement of Principles, explains:

- **how it seeks to improve processes and accrue efficiencies;**
- **how processes to generate savings have changed in light of the changes to the Commission’s budget caused by Senedd Reform; and**
- **how this approach will develop beyond the 2025-26 financial year;**



and that progress is reported to the Finance Committee on these matters before the draft budget for 2026-27 is laid.

Accepted.

The Commission, being mindful of the principle whereby it must not assume that it receives full funding for its budget proposals, established its Medium-Term Resourcing Framework using a 'managed growth' approach as its basis. This approach explicitly sets an annual target for Commission staffing (by far the largest element of its budget) that is below 100%, and established ringfences for major programmes through which all underspends will be returned to the public purse.

This approach is designed to be on-going, across many years. For the 2025-26 year in particular, however, having considered the range of unique pressures, proactively managed and absorbed significant in-year pressures, and noting the context within which those burdens are arising, the Commission concluded that it must seek the full, additional funding for Senedd Reform, critical infrastructure, major projects and staff pay that are included within this Draft Budget. This is because any underfunding of these items will have consequences for the Commission's statutory duty to meet the needs of the Parliament.

The budget proposal for 2025-26 is submitted after the Commission has delivered 2 years of cash savings as well as bearing the cost pressure of a significant in-year cost-of-living payment. The requested increases have been put through multiple rounds of challenge to ensure the budget proposal is as prudent as possible. The Commission also actively considered lower options for the potential staff pay award but was extremely mindful of both the wider public sector context and the industrial relations landscape in this regard (noting that the PCS Union has a current mandate for strike action).

As a key example of this taut budgeting approach, our MTRF sets a 'Target Establishment' for the permanent staffing establishment to ensure that the Commission lives within its staffing resource envelope and absorbs in-year pressures. This is reflected in the fact that, whilst 16 staffing requests arose in total during our service planning process, the final budget proposal for 2025-26 only seeks an increase in funding for 4 temporary posts (directly to support Senedd committee work) in our 'business as usual' core services. All other staffing increases sought are funded from within the defined ringfenced areas (Senedd Reform and Ways of Working).

This proposed budget is a planned step change, consistent with the move to a larger Senedd of 96, whose needs the Commission must meet. The level of growth to support this new level of Senedd activity, is the lowest it can realistically be for the 2025-26 year, having placed proposed levels of growth under significant challenge and scrutiny internally. For this Draft Budget, the Commission recognised that the previous year's growth target, the GDP Deflator, normally used to ensure that we reflect the budgetary context across the wider public sector, would have placed at critical risk, the changes that the Commission must make to ensure it meets the needs of the 7th Senedd and meets other significant non-discretionary pressures arising.

Being mindful of the challenging context for the wider public sector and the need to demonstrate value for money in our budget proposals, the Commission is happy to confirm that, in future, its budget submissions will comprise 3 clear elements: a growth plan, with supporting evidence; an efficiencies plan; and a savings plan. In this way, the Committee and then the Senedd will be able to see, each year,



the steps the Commission has taken to mitigate any growth in funding levels that it is seeking through its work to drive year-on-year efficiencies and, where possible, cash savings. Furthermore, noting the request for the Committee to see progress in this area in advance of the Draft Budget being laid each year, the Commission proposes to provide an update to the Committee before the draft budget for 2026-27 is laid, to set out, as far as it is able to at that point, the high-level position on its budget preparations in relation to likely growth, savings and efficiencies, in advance of the full, final details being provided in the Autumn, as part of the laid Draft Budget.

In addition, we will utilise advances in technology and the opportunity afforded by the step-change to a larger Senedd to further improve processes, for example by seeking clearer “return on investment” information within business cases for change projects.

In the longer-term, as a principle, the Commission intends to revert to using the GDP deflator as a benchmark to guide its operational growth levels over time. However, with recent significant volatility that has reduced its efficacy as a prudent benchmark, it may be a little time until the deflator becomes a stable annual forecast measure again. Nevertheless, Commission officials are exploring the option of applying a 3 year GDP deflator average within the development of our 2026-27 budget. This should smooth out volatility (thereby re-instating its efficacy as a benchmark), use known historical deflators rather than forecast figures that have recently undergone significant revisions, and therefore ensure that we move back to having a clear method for staying within the overall public sector range of growth but in a pragmatic way.

Recommendation 4: The Committee recommends that the Senedd Commission shares a copy of its Medium-Term Resource Framework with the Committee to enable a greater understanding of how it is driving forward efficiencies and in order hold such processes to account.

Accepted.

The 2025-26 Medium-Term Resources Framework (MTRF) will be shared with the Committee (attached with this letter).

Recommendation 5 – The Committee recommends that the Senedd Commission considers formalising its engagement with Members of the Senedd and Party Groups prior to the publication of the Draft Budget for future budget rounds and that sufficient time is provided to ensure that the outcomes of this engagement is able to influence budgetary decision making

Accepted.

The Commission has asked officials to include formalised Member engagement as part of the end-to-end budget process for 2026-27. The Engagement Plan for this will be shared with the Finance Committee. It is likely to make provision for Member engagement through the Party Groups in May/June each year, after the first iteration of the MTRF has been produced, and for a further round of engagement with Members/Groups in September each year, when a working draft Commission budget is available (and prior to its formal consideration and determination by the Commission).



Recommendation 6 – The Committee recommends that the Senedd Commission continues to show separation of ring-fenced budgets and sets out in budget documentation how Senedd Reform costs compare to the Regulatory Impact Assessment estimates in future budgets.

Accepted (for 2026-27).

The Senedd Reform budget and record of expenditure will remain ringfenced and reported separately to the operational budget for 2026-27.

However, there will come a time when the change activity becomes part of core operations. It may be, for example, that the Commission will consider, for its 2027-28 budget or for its 2028-29 budget, that the changes made (and highlighted) in its 2025-26 and 2026-27 Senedd Reform ringfenced budgets are no longer separate from normal operations.

The Senedd Reform Regulatory Impact Assessment (RIA) was a costings exercise undertaken in 2022-23, based on a set of assumptions (some set by Welsh Government, some set by the Commission). It was intended to provide the “best estimates” of costs as required by the Commission’s Standing Orders when proposing legislation. It should be noted that future budgets will continue, quite properly, to diverge from the RIA costing exercise, as the impact of year-on-year pay and price cost increases continue to crystallise. A key assumption underpinning the RIA costing exercise was that staff and other costs did not include any assumptions for future pay awards and general prices increases, this flat cash assumption while helpful in the context of understanding the scale of costs does not properly represent the on-going impact of pay and price cost changes. The RIA therefore becomes less and less of a meaningful budgetary and accounting tool over time.

In 2025-26 the budget requirement has exceeded the original costing by c£400K or 7.8%, mainly driven by increasing capital costs estimates and provision for pay awards, which has significantly (but not fully) been offset by a rigorous challenge and reduction to the staffing requirements. The overall variance, for 2025-26 sits within the context of a multimillion-pound budget.

The Commission is therefore content to accept the Committee’s recommendation for its next Draft Budget (for the 2026-27 year) but suggests that there is further discussion on this recommendation during next year’s budget round.

Recommendation 7 – The Committee recommends that the Senedd Commission attends public evidence sessions in relation to the Cardiff Bay 2032 project, with the first taking place soon after the outline business case is agreed

Accepted.

The Commission will be happy to participate in any public, formal scrutiny sessions with the Committee on its agreed positions and decisions with regards to the Bay 32 project as requested.

Recommendation 8 – The Committee recommends that the Senedd Commission provides information regarding how decisions relating to the Cardiff Bay 2032 project will be taken,



including when Members of the Senedd will be involved in such decisions and related timescales.

Accepted.

The Commission has already engaged with all Members on this project in writing (through a letter from the Llywydd), through attendance by officials at party group meetings and through bi-lateral discussions between the Llywydd and Group Leaders / individual Members. The Commission has also engaged with senior Welsh Government officials to ensure that the First Minister has been kept informed of progress (and this engagement between officials will continue via a Joint Assurance Board that meets regularly).

The Commission has also recently established a Member Reference Group for the Bay 32 project (in addition to the Siambr Member Reference Group), to ensure that Members' views, on a cross-party basis, are directly provided to, and taken into account by, the lead officials for the project during its progress.

The Commission will regularly consider the issue of Member engagement, and take action in this regard as necessary, throughout the life of the project.

Recommendation 9 – The Committee recommends that the Senedd Commission explains:

- **what mechanisms will be in place regarding agreeing dilapidation payments at the end of the Tŷ Hywel lease;**
- **how it is ensuring that any current or future projects on the building are aiming to reduce such liabilities; and**
- **how these costs will be absorbed by the Cardiff Bay 2032 project and whether such costs will be ring-fenced in future.**

Accepted.

The Commission has a full repair lease for Tŷ Hywel along normal commercial lines. It will be responsible for any dilapidations should the lease end at a point in the future. Should the need arise, the Commission will negotiate any dilapidations with the advice and support of its estate professional advisers with the aim of ensuring value for money and protecting the public purse whilst meeting its agreed obligations as per its lease terms.

Tŷ Hywel is now over 30 years old, meaning maintenance and lifecycle replacement costs will continue to increase as the estate ages further. Improvements in sustainability will also come at increasing cost. These costs are a fundamental aspect of the business case being developed to underpin any future decisions of future Senedd accommodation as part of the Bay 32 project.

The Bay 32 business case will, as is best practice, adopt a "whole-life" costing methodology for the various options to ensure that the cost of dilapidations and increasing maintenance costs of Tŷ Hywel are assessed as part of the economic and financial appraisal of the project. The exact figures are far too uncertain at this stage of the project as they will be subject to commercial negotiations throughout the competitive procurement process for the Bay 32 project (which is due to commence in December 2024). However, once they crystallise, a final full version of the business case will be drafted to include them.



We expect this full business case to have been developed by the end of the 2025 calendar year with the project budget needing to meet any final dilapidations figure if any works are required (the Committee should note that the project is not ruling out remaining in Tŷ Hywel at this point which would obviously negate the need to negotiate and meet dilapidations obligations).

Between now and the delivery of the future accommodation solution the Commission will need to continue investing in lifecycle maintenance activity to ensure the Senedd's needs continue to be met and avoid a critical failure. Investment decisions over the next 12-18 months will be made with the Bay 32 project in mind to ensure continued value for public money, noting that whatever the project outcome, the Commission is still obligated to make further investment in Tŷ Hywel between now and 2032 – such spend should not be considered nugatory. The Commission will in practice charge dilapidations (if they are required) as a project cost to the Ways of Working ring-fence which funds Bay 32. The continued maintenance requirements will be resourced from our baseline operational budget as normal business as usual maintenance costs.

Recommendation 10 – The Committee recommends that the Senedd Commission provides information regarding its estate strategy over the next 5 to 10 years by the beginning of the 2025-26 financial year, including details of any large scale projects being undertaken within that timeframe and associated costs, where available

Accepted.

The Commission will provide details of large scale estate projects over the next 5-10 years by the start of the financial year. It will provide estimated costs where these are not commercially sensitive (i.e. costs which if released into the public domain would be likely to hinder the Commission's ability to achieve value for money during any tendering process for large projects by revealing our estimated cost envelopes to the market).

Overall, the Commission maintains several mechanisms to ensure there is a comprehensive view of estate project and investment spending over a 5-10 year period, as follows:

- The Estate Forward Maintenance Register (EFM FMR). This document sets out infrastructure lifecycle replacement items and a forecast of their potential timing (based on their expected remaining lifespan) out to 2031. As it stands, noting that the outcome of the Bay 32 project will influence how lifecycle replacement and dilapidations are approached, the FMR forecasts a number of large-scale replacement projects as would be expected for an estate portfolio with a similar size, complexity, and age as the Commission's.
- The ICT Forward Work Plan (ICT FWP). This document sets out ICT and broadcasting infrastructure replacement items and a forecast of their potential timing. Noting the potential impact of the Bay 32 project on future accommodation (as set out above), the FWP covers the period out to 2029-30. ICT and broadcasting infrastructure is a key consideration in all estates projects.
- The Medium-Term Project Pipeline (MTPP). This document provides a holistic three-year overview of all planned Commission projects, in alignment with the Medium-Term Resourcing



Framework (MTRF). It brings together those projects in the above documents with all other projects across the Commission (for example, projects that individual service areas plan to deliver). It is maintained by the Portfolio Management Group.

Recommendation 11 – The Committee recommends that the Senedd Commission provides further information about the Pierhead Review Project within three months of the review’s conclusion

Accepted.

The Commission is currently undertaking an options analysis for the long-term use of the Pierhead building. The results of that work will be subject to internal review and decision-making processes. If any further substantive work is deemed necessary as a result of this initial work, it will be fed into the budget process for 2026-27. We would be happy to provide an update to the Committee on this matter as part of the Commission’s 2026-27 Draft Budget submission to the Committee.

Recommendation 12 – The Committee recommends that the Senedd Commission provides updates on developments relating to pay agreements for Commission staff in 2025-26 and, if the pay awards are above the five per cent figure included in the Draft Budget, the Commission provides and explanation of how these payments will be funded

Accepted.

The Commission has agreed in principle, to a 5% uplift for Commission staff that is in keeping with both the [Civil Service Pay Remit](#) recommendation and the pay award for [Welsh civil servants](#), as part of the 2025-26 Commission budget strategy development process.

Recommendation 13 – The Committee recommends that the Senedd Commission shares details of its benchmarking exercise with senior management staffing structures in other UK parliaments with the Committee

Accepted.

A brief overview of parliamentary management structures and organisation design was conducted by the research service in Spring 2024. The resulting report found that how services and functions are structured vary across different parliaments and are subject to incremental or wholesale changes across the lifespan of a parliamentary term to reflect changing priorities, therefore making comparisons or benchmarking difficult. The details of the benchmarking review will be shared with the Committee (attached with this letter)

That said, most parliamentary functions tend to coalesce around business/Member facing functions, and resource/corporate related functions. Grading and pay scales for staff are also different across



parliaments which makes direct comparisons difficult, but functions tend to have broadly similar levels of seniority e.g. a lead committee clerk, team leader/senior researcher, senior communications and engagement professionals will have broadly the same level of seniority across parliaments.

There is broad similarity across parliamentary administrations in having an Executive or Management Board responsible for strategic and operational leadership. There is some consistency in terms of the composition of the boards and there are variations you would expect to see in the numbers on each board according to individual organisational history, complexity, size and needs.

Recommendation 14 – The Committee recommends that the Senedd Commission provides an update to the Committee on its plans for Artificial Intelligence software by the beginning of the 2025-26 financial year and sets out the governance arrangements and ethical considerations underpinning its use by Members, support staff and Commission staff

Accepted.

Over the past 18 months, the Senedd Commission has been evaluating how generative AI tools can be utilised to assist parliamentary work, while also addressing the opportunities and mitigating the risks associated with these technologies.

As a relatively young, digitally-driven Parliament, we are actively exploring AI tools within the existing Microsoft environment. Consultations have been held with party groups to share our findings, and regular meetings are conducted with a smaller group of Members to incorporate their perspectives and ideas into our planning process.

Two working groups (an AI Governance Group and an AI Opportunities Group) have been established to adopt a thoughtful and responsible approach towards the use of AI. These groups acknowledge the potential benefits in terms of improving efficiency and productivity, as well as enabling new capabilities and insights. They also recognise the significant risks related to copyright, bias, privacy, ethical considerations, security risks, disinformation, and lack of transparency among other concerns.

A proposal has also been agreed upon to consider this risk as a Corporate Risk. Additionally, an AI Policy has been developed to provide guidance on the safe and appropriate use of AI.

Recommendation 15 – The Committee recommends that the Senedd Commission continues to monitor changes in staff wellbeing through staff surveys and provides the Committee with updates on the results of those surveys and the actions taken to mitigate pressures on staff ahead of the election in 2026.

Accepted.



The Commission will continue to conduct its wellbeing survey of Commission staff, which covers the four pillars of wellbeing (i.e. physical, mental, financial and connectivity) and will provide an update to the Committee with a summary of its findings relating to this financial year once it is available. The latest staff survey has just been closed this month and the Commission will update the Committee on the results once they have been analysed and released.

Recommendation 16: The Committee recommends that the Senedd Commission provides a list of planned projects for 2025-26, with estimated allocated funding, before the start of the 2025-26 financial year and for such an approach to be adopted for future budgets

Accepted.

The Commission will provide this list prior to the start of the financial year including allocated funding where this is not commercially sensitive (in some instances releasing budgets into the public domain would create the risk of compromising the ability of the Commission to achieve value for money by providing indicative budgets to the market).

Recommendation 17 – The Committee recommends that the Senedd Commission provides the Committee with details of its long-term project plans up to 2032, including estimated costs of individual projects, if known.

Accepted.

The most significant Commission project out to 2032 is the Cardiff Bay 2032 project which will deliver the future accommodation needs of the Senedd beyond the current Tŷ Hywel lease ending. One further area of significant activity planned to be delivered between now and 2032 is the:

- **Commission Insourcing Project** - The Commission, at its meeting, on 6 November 2023, following consideration of future options regarding the provision of catering services, agreed that the Commission's core preference is for services to be delivered in-house, wherever practicable, and asked officials to undertake a piece of work to explore the implications of this statement of principle. At its 29 April 2024 meeting the Commission agreed, following the completion of a strategic scoping exercise that its preferred position would be to make a 'hard' commitment in principle to progress the Commission Services Insourcing Project, and this work would commence mid-way through the next Senedd. This is a very significant and complex project that would involve the phased in-housing of 4 services (facilities, catering, cleaning, broadcasting) and a likely increase in the Commission's baseline costs. The full implications and costs will be established as the project progresses through its planning phases.

