



Darren Millar AM  
Chair  
Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

1 June 2015

Dear Darren

Thank you for your letter of 19 May. The Commission met on 21 May and took the opportunity to discuss your letter. We agreed that, given the way in which we set and control our budget, we do not believe that underspending should be viewed as a positive achievement. In this letter I will explain why we consider that the Commission's approach is robust and delivers value for money.

Throughout the Fourth Assembly, the Commission has taken a strategic approach to budget planning, with a budget strategy for the full duration of the Assembly and multiple year budgets. This approach has delivered greater clarity, transparency and consistency. It has been approved year on year by the Finance Committee and by the Assembly as a whole. Underpinning the budget strategy, we have detailed plans which allow us to take a long term view of spending requirements. As a good example of this, a plan for maintenance and refurbishment was developed for us by experts who reviewed the condition of all our buildings and equipment and plant, together with forecast lifespans and timetables for refurbishment and replacement. As a result we have a schedule of required work spanning ten years that we use to inform our investment decisions for the estate.

Of course, as you know, the Commission has an annual budget and has no facility to carry over funds from one year to the next. However, having clear plans about work that we know will be required, allows us prioritise and make considered, well-judged use of our annual budgets. The alternative, if we were not sufficiently well organised to take this longer term view, would be to report and surrender underspends in one year and then ask for the funds again in subsequent years to carry out the necessary

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work; this practice would simply be deferring expenditure and provide no indication whatsoever of efficiency or value for money.

The Accounting Officer has established an Investment and Resourcing Board as the decision making body for resourcing in the Assembly, which provides challenge and review for all resource decisions ranging from staff recruitment through to project funds or additional operational expenditure. Throughout the financial year, the Board balances the availability of funds with the needs of projects and services over multiple years to ensure its investment in the Assembly is properly scrutinised, prioritised and managed.

Every letter of Delegation which the Accounting Officer issues to relevant Commission staff includes the following requirement: *"You must commit your budget in a manner which is consistent with Value for Money, i.e. every £1 spent supporting the Assembly should represent good value for money, and resources should be used in the most appropriate way to deliver effective services to the Assembly and to the people of Wales."* Expenditure on items that are not needed, and that do not help to deliver the Commission's strategic goals, is simply not tolerated.

Like the PAC, the Assembly Commission believes that securing value for money is vital. Indeed, an internal audit report from March 2015 concluded that *"the Assembly Commission has a well-developed value for money culture in place and this culture is embedded throughout the organisation"*. Throughout this Assembly one of our strategic goals has been to "use resources wisely". As I explained in my letter of 7 May, to strengthen our approach further we are shifting the focus of our value for money target from vacancy management to gains from projects in benefits realisation, Assembly services and procurement delivering successful contract negotiations that result in tangible savings. Our 1% target for spend against budget is not intended to be a VFM indicator. Rather, it is one measure of whether we are managing our business well and delivering what we say we will. The full suite of measures published in our regular Corporate Performance Reports provide comprehensive information by which we can be judged. This in turn is part of our Assurance Framework, which is independently tested in a number of ways. Together, all these elements provide assurance that the Commission uses its resources efficiently, economically and effectively, avoiding waste and extravagance, entirely in line with best practice set out in HM Treasury guidance.

Although we may disagree on some aspects of the approach, I believe that the PAC and Commission are as one on our objectives, namely to deliver the high quality services that the Assembly at best value to the public purse. In our view, the best way to achieve that is to ensure that our budget planning is expert, thorough,



transparent and subject to proper scrutiny. It is then incumbent on us to ensure that the money assigned to the Commission is well spent. We believe that our approach delivers value for the taxpayer in a way that is more open and effective than having a target to underspend.

Thank you again for challenging us to reflect on our approach. I hope that this response is helpful and received by the Committee in the positive way it is intended.

Yours sincerely

A handwritten signature in dark ink, appearing to read "David".

**David Melding AM**  
**Deputy Presiding Officer**