

Simon Thomas AM  
Chair of Finance Committee  
National Assembly for Wales  
Tŷ Hywel  
Cardiff Bay  
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16 June 2017

Dear Simon

Thank you for your letter of 24 May, regarding your Committee's further scrutiny of the Assembly Commission's Draft Budget 2017-2018 on 17 May 2017. I'm happy to provide you with the additional information requested in your letter.

You asked for:

- a detailed breakdown of exactly how the £1.185m identified for the ground floor refurbishment was used to cover this project;
- what further costs have been, or will be, incurred in the ground floor refurbishment, and how much of this has already been allocated to this project from the 2017-18 budget; and
- additional details on the current projected underspend for 2017-18, and how this is expected to be utilised.



My detailed responses to these questions are contained in Annex A and include the following:

- Table A details the actual 2016–17 costs alongside the estimated costs supplied previously in my letter of 28 March 2017;
- Table B provides a breakdown of exactly how the £1.185m (estimated) identified for the ground floor refurbishment detailed in our letter of 28 March was used to cover this project. The actual 2016–17 cost was £1.211m;
- Table B also provides information on further costs which have been incurred in the ground floor refurbishment during 2017–18 and other ground floor expenditure including ICT; and
- Table C provides the Committee with an indication of the current projected underspend for 2017–18 and how this is expected to be utilised. This table shows that all of the work incurred on the ground floor refurbishment during 2017–18 has provisionally been allocated as being funded from the determination underspend for 2017–18.

Regarding the use of underspends from the Remuneration Board's Determination and other budgets, to fund planned and prioritised investment, the Commission met on 12 June and took the opportunity to discuss your letter. Commissioners remain convinced that our approach remains the most prudent and robust way of managing the Commission's funds for the good of the Assembly as outlined in my letter to the Committee on 28 March.

That said, it is absolutely right that your Committee scrutinises and challenges how we manage the funds entrusted to us by the Assembly. I therefore hope that the attached information is helpful and we welcome the opportunity to attend a meeting of the Committee to discuss this issue further.



As ever, if there is any further information your Committee would like, please let me know.

Yours sincerely

A handwritten signature in black ink that reads "Suzy Davies". The signature is written in a cursive, flowing style.

Suzy Davies

cc Manon Antoniazzi, Nia Morgan

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



## Annex A

My letter dated 28 March 2017 contained an extract from Table A below and provided an estimate of the forecast underspend (£1.954m) in relation to the money drawn down to fund the Remuneration Board Determination and how it would be utilised during 2016–17.

Column (b) provides information on the utilisation of the actual underspend (£1.705m), which was lower than that anticipated in the March forecast (£1.954m).

**Table A – Utilisation of the Determination Underspend 2016–17**

Description	March Forecast (a)	Funded from the Underspend (b)
Ground Floor Refurbishment	£1.185m	£1.211m
Committee Room ICT	£0.202m	£0.224m
Table Office Project	£0.048m	£0.048m
Record of Proceedings Project	£0.078m	£0.078m
Improved Security at Members' Constituency Offices	£0.040m	£0.048m
Enhanced power resilience	£0.140m	£0.140m
Completion of the Siambur Refit	£0.261m	£0.261m
<b>Total Estimated Underspend 2016–17</b>	<b>£1.954m</b>	
Actual Expenditure on projects		<b>£2.01m</b>
<b>Total Actual Underspend 2016–17</b>		<b>£1.705m</b>
<b>Difference</b>		<b>-£0.301</b>

This difference was mainly due to Assembly Member expenditure in March 2017 being significantly greater than forecast. This unanticipated expenditure related mainly to 2016–17 invoices and claims submitted and paid in April 2017.

This difference did not have a cash impact on 2016–17 or delay other expenditure as an underspend on the Commission depreciation budget (also a non-cash item) was available to absorb this overspend.



## **Tŷ Hywel ground floor refurbishment**

The forecast spend on the ground floor refurbishment communicated to you in March was £1.185m. The final cost, as per (b) above, was £1.211m. A detailed breakdown of this £1.211m, as requested, and a breakdown of the £0.224m ICT costs, associated with the ground floor works and also incurred during 2016–17, are shown in Table B below. Table B also shows the projected 2017–18 costs, as requested.

At the time the 2016–17 budget requirement was being constructed (summer/autumn 2015) the business need for additional committee rooms had not arisen. The decision to add additional committees was made during 2016–17. The Commission was unable therefore to highlight this expenditure as a significant call on resource in the 2016–17 draft budget.

The main driver for this refurbishment was the Business Committee/Assembly decision to create two more policy committees and to expand the pattern of the business week e.g. it is now routine for four committees to be sitting simultaneously.

In the Fourth Assembly, Committee Room 4 on the Ground Floor of Tŷ Hywel was used as a backup when three Committees were meeting simultaneously. However, this room had limitations and was not configured in the best way for regular use. With the increase in the number of committees it could no longer be relied upon as a backup when four Committees are meeting. It also had no waiting/refreshment facilities outside the rooms for Members or witnesses.



**Table B – Total actual ground floor costs split between 16/17 and 17/18**

<b>Committee Rooms 4 &amp; 5 Project</b>		
<b>Item</b>	<b>16/17</b>	<b>17/18</b>
<b>Enabling works</b>		
Building works	£49,106	£0
Modular building hire	£11,295	£0
Project management fees	£3,120	£0
<b>Sub-total</b>	<b>£63,522</b>	<b>£0</b>
<b>Committee rooms</b>		
Building works including all moveable partitions, glazing, blinds and doors	£438,794	£20,000
Electrical works	£226,040	£0
Mechanical works	£153,571	£0
Project management fees including security accommodation works	£14,976	£0
Furniture	£73,286	£92,213
Variation costs	£0	£28,745
<b>Sub-total</b>	<b>£906,667</b>	<b>£140,959</b>
<b>Security accommodation</b>		
Building works including glazed corridor	£152,253	£0
Electrical works	£4,909	£0
Mechanical works	£58,824	£0
Furniture	£24,706	£0
<b>Sub-total</b>	<b>£240,691</b>	<b>£0</b>
<b>ICT</b>		
Cameras, control equipment, interpretation, cabling	£174,468	£97,905
Room Control & Signage		£89,415
Video conferencing		£55,070
Labour, T&S, project management		£113,875
ICT network cost	£21,986	
CBRE Additional Costs	£27,687	£4,481
<b>Sub-total</b>	<b>£224,141</b>	<b>£360,746</b>

<b>Total project costs</b>	<b>16/17</b>	<b>17/18</b>
Enabling works	£63,522	£0
Committee Rooms	£906,667	£140,959
Security accommodation	£240,691	£0
<b>Sub-total - Works</b>	<b>£1,210,880</b>	<b>£140,959</b>
ICT	£224,141	£360,746
<b>Total</b>	<b>£1,435,020</b>	<b>£501,705</b>



In support of the emerging requirements of the Fifth Assembly, the Assembly Commission reviewed available facilities, both in terms of business needs for committee meetings and options for more flexible use of office and meeting spaces. It had become clear that the risks of continuing for any length of time with inadequate committee facilities were too great. The risks included:

- the increase in the volume of committee activity since the election leaving no contingency fall back should any of the committee rooms be unavailable.
- the Commission has a statutory duty to ensure that the Assembly is provided with “the property, staff and services required for the Assembly’s purposes” (GOWA 27(5)). There are also requirements within GOWA and Standing Orders that the Commission must comply with, for example around public access to proceedings. Not providing additional committee rooms placed the Commission in jeopardy of not being able to comply with these statutory and Standing Order requirements.

These risks were identified during summer/autumn 2016. A business case was presented to IRB in November 2016 recommending the refurbishment of the ground floor. Following scrutiny of the options, IRB approved this expenditure. The Commission was informed of this project, despite its value being within the Chief Executive’s delegation of £5m, due to the profile of the project.

The Chief Executive’s delegation was increased from £1million to £5million in June 2016 to reflect delegated limits elsewhere in the public sector and, in particular, bring the Assembly Commission more in line with the arrangements at the Scottish Parliament. The Scottish Parliamentary Corporate Body has delegated to their Clerk and Chief Executive the authority to approve capital expenditure up to £10million and contract awards up to £5million.

The project delivered:

- two fully equipped and configured committee rooms in place of one inadequate one;
- waiting/refreshment facilities for Members and witnesses;



- a further meeting room; and
- moveable walls to allow for flexible use of the spaces for a range of different purposes outside committee meeting times.

Sufficient funds were made available to the project by allocating the underspend relating to the money drawn down to fund the Remuneration Board Determination, and by careful prioritisation of investment projects e.g. delaying a number of significant ICT and Estates projects.

Utilising these funds enabled the work to commence during 2016–17 for completion shortly after Easter recess 2017 (across two financial years), addressing the risks noted above at the earliest opportunity. If the underspend had not been available, a Supplementary budget in February or June 2017 would have been considered, significantly delaying the project.

A Supplementary budget was not necessary as funds allocated, but unused for the Remuneration Board Determination, were available to the Commission. The Commission is required to make provision for Determination expenditure in its budget and any underspends remain available to the Commission to achieve its strategic objectives.

Hopefully, this information provides clarification that:

- the Business Committee decision occurred too late for the Commission to include this expenditure within the 2016–17 budget and subsequently the 2017–18 budget;
- scrutiny was provided by IRB; and
- the Commission was informed about the expenditure.

The Public Accounts Committee will scrutinise the 2016–17 Assembly Commission Annual Report and Accounts. The accounts will be laid in July with the scrutiny session expected to take place in September.

Additional transparency was provided by the Llywydd's statement to Members in November 2016:





“Commissioners also considered exploratory work to ensure that the Assembly’s Cardiff Bay estate keeps pace with the work of the Assembly.

In the light of the increase in volume in committee activity since the election, Commissioners agreed to reconfigure the space on the ground floor of Tŷ Hywel. This will leave the Assembly with five fully equipped committee rooms – three in the Senedd and two in Tŷ Hywel. The new accommodation will be ready from the start of the summer term.”



## Impact on 2017–18

Meeting the statutory duty and addressing the risks above has significantly impacted on the 2017–18 financial position. The Committee room expenditure during 2017–18 is around £0.5m, further reducing the available funds for investment projects that ideally would be going ahead.

Upgrading the CCTV system around the estate is also impacting on 2017–18, along with an expectation that funds will be required late in 2017–18 to move forward with the Commission's aim to ensure future accommodation needs can be met.

Consequently, this year's budgetary position is extremely tight and tough decisions are having to be made on staffing and projects that would ideally be going ahead.

We anticipate, that despite these additional pressures we will deliver a financial outturn within 0.5% of our budget for 2017–18. This has however resulted in significant items of expenditure being delayed until 2018–19. These pressures will be reflected in the Commission's budget for 2018–19, to be discussed by the Committee in October.

The Commission agrees with the view the Committee expressed last year when it pointed out that the future demands on the Assembly were unpredictable and noted that there needed to be flexibility about the Commission's budgetary needs in future years. As mentioned previously, utilising this flexibility has enabled the Commission to respond effectively to the needs of the Assembly.



## Anticipated underspend against the 2017–18 Determination

The current expected underspend against the Determination for 2017–18 is £1.05m, based upon early forecast predictions of Member expenditure during the remaining months of 2017–18.

This will be reviewed on a monthly basis, as expenditure trends start to materialise, particularly in relation to Member Staff and Office costs.

Potential projects identified for this underspend (subject to business cases) are;

**Table C – Anticipated use of the 2017–18 Determination Underspend**

<b>Already approved by IRB:</b>	
<b>Description</b>	<b>Amount</b>
Completion of Ground Floor refurbishment	£0.141m
Completion of Committee Room ICT	£0.361m
Completion of Record of Proceedings Project	£0.052m
Completion of Table Office Project	£0.032m
Legal advice concerning Electoral Reform and draft legislation	£0.050m
Completion of CCTV Project	£0.328m
<b>Subtotal</b>	<b>£0.964m</b>

<b>Business cases expected during 2017–18</b>	
Youth Parliament	£0.050m
ICT hardware replacement (part of a larger rolling programme)	£0.036m
<b>Subtotal</b>	<b>£0.086m</b>
<b>Total</b>	<b>£1.050m</b>

Table C illustrates that the Commission has a significant number of projects that require funding during 2017–18. These projects are essential in meeting our statutory obligations, ensuring resilience and the achievement of the Commission's strategic objectives set at the start of the Fifth Assembly.



As can be seen above, a number of these projects have not yet been approved by IRB. These will only be approved as and when clarity around the actual level of underspend is known with more certainty.

Only essential items, following scrutiny and prioritisation by IRB will be approved.

Additional items, not included above e.g. additional ICT and facilities expenditure, also require funding during 2017–18 and will only be progressed if additional underspends are identified. If this is not the case, these will be delayed until 2018–19, subject to funding and other priorities at that time. Additional information on Security, EFM and ICT expenditure is included at the end of this Annex.



## ADDITIONAL INFORMATION

### Security Expenditure 2016–17

Significant expenditure on security also impacted upon the 2016–17 financial year. Table A notes that £48k was spent on improved Security at Members' constituency offices. This expenditure included items such as new doors, CCTV, panic buttons, alarm systems, frosting, security lights etc.

In addition, during 2016–17, work commenced on a new CCTV system across the Cardiff Bay Estate. This amounted to £473k in 2016–17 and £189k in 2017–18. Other security enhancements include replacement scanners for the estate and staysafe improvements to enhance the robustness and security of key external doors

### Estates and Facilities Management (EFM) 2017–18 Priorities

The 2017–18 financial position has the following items of EFM work earmarked for expenditure. These have not yet been approved by IRB. These four items are prioritised primarily on the basis of statutory compliance, health and safety, and business continuity.

Item	Category	Cost
Phase 2 Electrical Distribution Boards (C1s)	Essential Lifecycle	£28,800
Senedd & Pierhead lift improvements	Statutory compliance/ Essential lifecycle	£33,693
Ty Hywel water risk assessment remedials	Statutory compliance	£16,320
Ty Hywel Lifts 1, 2, & 3 rope replacement	Statutory compliance	£54,450
		<u>£133,263</u>



## ICT 2017–18 Priorities

The following table shows the current ICT priorities for 2017–18, as a result of the financial pressures facing the Commission in 2017–18 a number of items may have to be delayed until 2018–19. The current priorities relate to new priorities and to items delayed from 2016–17.

IRB have approved £100k of hardware replacement spend and are reviewing the 2017–18 financial position on a fortnightly basis. Further funds will be released for ICT expenditure if funds are available and if these items are deemed a priority for the Commission as a whole.

<b>ICT Projects on 2017-18 Forward Work Plan</b>	<b>Current Priorities</b>	<b>IRB Approved</b>
Transition to Cloud Services	£120,000	
Desktop Hardware Replacement	£344,000	£100,000
Hardware Consumable Costs	£25,000	
BT Underground Works	£11,000	
Cyber Security	£32,000	
Adobe Licenses	£6,000	
SeneddTV	£40,000	
Caseworker replacement	£75,000	
	<b>£653,000</b>	<b>£100,000</b>

