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Dear Simon

## National Assembly for Wales Commission – Draft Budget

Thank you for your letter of 24 May 2017 to the Auditor General. I am replying on Huw's behalf as he is currently on holiday.

My response is based on our knowledge of the issues as outlined in your letter and the supporting Finance Committee transcript. We have not undertaken a specific review of the Commission's budget setting arrangements.

It appears to me that there are two issues that need to be addressed:

- The requirement that the Commission provide sufficient resources to fund Remuneration Board determinations. I understand that the Commission sets its budget at the maximum that it estimates will be needed to cover this requirement.
- The Finance Committee's responsibilities to scrutinise the Commission's budget, which is complicated by the contingency ("foreseeable underspend") that is built into the Remuneration Board budget line.

HM Treasury provides guidance in its publication, 'Supply Estimates: a guidance manual' on the form and content of Supply Estimates. At paragraph 2.1 this guidance states that:

"Parliament expects departments to submit for approval Estimates based upon taut and realistic spending plans. This means that the amount of provision sought in the Estimates must reflect the department's best view as to the amount of expenditure likely to take place in that financial year. The amounts sought in the Estimate should be neither more (perhaps in order to provide a buffer in case of unexpected additions) nor less (perhaps in order to spread out the increase) than is actually expected to be needed."

It is a matter for the National Assembly to determine whether to apply such guidance in Wales.

I fully recognise the practical difficulties that the Commission faces in needing to provide budget cover for such demand-led expenditure. It is interesting therefore to review the published 2015-16 outcome position for each of the Commission's UK counterpart bodies across corresponding budget lines, as summarised in the following table.

Body	Description of Expenditure	Estimated Expenditure* £'000	Actual Expenditure* £'000	Variance £'000	Variance %
National Assembly for Wales Commission	Resources in respect of Remuneration Board decisions	14,500	13,453	1,047	7.2
Independent Parliamentary Standards Authority	MPs' pay, staffing, business costs and expenses	201,082	169,230	31,852	15.6
Northern Ireland Assembly	Members' salaries, expenses and administration costs	46,230	43,063	3,167	6.8
Scottish Parliament Corporate Body	The Body does not produce an itemised outturn summary				

\* As set out in the body's Resource Outturn Statement

For preceding years, I also summarise below the Commission's percentage underspend on Remuneration Board decisions:

- 2014-15: 5.5%
- 2013-14: 3.2%
- 2012-13: 4.2%

This high-level analysis, shows that each of the Commission's counterpart bodies reported relatively significant underspends on "members' costs" for 2015-16. Although we have not reviewed these bodies' budget setting processes we have had discussions with colleagues in the Northern Ireland Audit Office and Audit Scotland which have highlighted some interesting differences in budget setting arrangements for Members' costs. For example, we understand that the Scottish Parliament Corporate Body estimate the likely take up of members' allowances each year; whilst the Northern Ireland Assembly, similarly to the Commission, set their budget at the maximum amount payable, although we understand that there is an informal arrangement to refund any underspend. If it has not done so recently, there may be merit in the Commission considering with its counter parts how they try to manage this budget area.

While I do not think that there is a simple solution to the issues you raise, I offer below two models for consideration by the Finance Committee.

### Establish a separate resource control total for Remuneration Board determinations

At present the Budget Motion approved by the National Assembly includes a single resource limit for the Commission relating to all its expenditure. You could consider with the Commission the option of separating this out into two resource requests: the first for Remuneration Board determinations; and, the second for the Commission's other expenditure.

This option would provide for greater transparency in the overall budget process. The original resource request for Remuneration Board determinations could be set at an estimated level for the year with any additional resource required being sought through the supplementary budget

process. This approach would effectively transfer the risk of providing sufficient resource for determinations from the Commission to the overall management of the Welsh block budget. I would note, however, that it would be unusual for a legislature to exercise such detailed control over a body's budget.

### Maintain the status quo with additional reporting

The second option would be to request the Commission to provide further detail in its budget submission, including:

- The estimated budget for determinations in the year (potentially based on historical experience); the maximum amount as currently included in the overall resource request; and the level of contingency (being the difference between these two figures).
- Information about the projects on which any underspend against the determinations budget would be utilised.

This approach would afford the Finance Committee the opportunity to scrutinise the totality of the Commission's spending plans.

The Committee would then have three options when considering the budget request:

- Endorse the maximum request, and allow the Commission to use any underspend on its priority projects.
- Endorse the maximum request, but require the Commission to present a revised budget later in the financial year if anticipated Determination spend was likely to be significantly below that maximum level. This would allow the Committee to decide whether to allow the Commission to retain the funding for its priority projects or to reallocate the funding to another WCF funded-body.
- Endorse the expected rather than the maximum level of budget and require the Commission to present a supplementary estimate if actual spend was expected to be higher than the initial estimate.

I hope that you find this information useful. I have not asked the Clerk for the Commission's perspective on these options. The Finance Committee may wish to do so while also asking for a more-depth commentary on budget management in the other UK administrations.

Yours sincerely



Anthony Barrett  
Assistant Auditor General