

Mr Simon Thomas AC
National Assembly for Wales
Chairperson of Finance Committee
Cardiff Bay
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7 February 2018

Dear Mr Thomas

National Assembly for Wales Remuneration Board's Determination Underspend

Thank you for your letter of 8th December 2017 regarding your inquiry into the budget for expenditure related to Members' pay and allowances.

My response is detailed in the paragraphs below and is based on our knowledge and understanding of the Northern Ireland Assembly Commission's processes. We have not carried out a detailed review of the Commission's budget setting arrangements but have highlighted what we consider to be the most significant aspects in terms of your inquiry.

How the Assembly Commission Forecasts its budget for Remuneration Board determinations

The costs payable to Members, are provided for under determinations issued by the Independent Financial Review Panel¹ (IFRP). The current determinations are set out in the IFRP's report issued in March 2016 and provide *'the detail of and rationale for the salaries, pensions and expenses that the panel has determined will be payable to Members of the fifth Northern Ireland Assembly, covering the period from May 2016 until 2021'*.

For example, Members' salaries during this determination period were initially set at £49,000 per annum and will rise by £500 pa. In relation to office expenses the maximum rent that can be claimed is £8,500 pa and up to £4,900 pa for office running costs. Therefore these expenses are restricted and can be forecast with a degree of certainty during the budget setting process.

The Commission includes 100% of members' allowances in their initial budget request.

In 2016-17 the budget for members' pay and allowances amounted to £16.7 million split between £7.8 million for pay and £8.9 million for allowances.

The Commission's budget setting process for 2016-17 involved engagement with the then Minister for Finance and agreeing that the controllable (excludes Members expenditure) elements of their budget for 2016-17 would be reduced by a further 5% from the 2015-16 baseline.

¹ The Independent financial review panel is legislated under the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) 2011. Its function is to make a determination in relation to the salaries and allowances payable to members of the Northern Ireland Assembly Commission under section 47 of the Northern Ireland Act 1998 (the 1998 Act), and pensions, gratuities and allowances payable to Members under section 48 of the 1998 Act.

This reduction did not apply to the full budget. Instead, it was only applied to those costs that were within the control of the Commission, namely Secretariat expenditure. In relation to the Commission's budget setting process, Members' expenses are deemed to be uncontrollable and therefore excluded from any reductions as neither the Commission nor the Executive can amend these costs.

Reviews carried out by the Department of Finance (DoF) and an internal management reporting cycle, enables the Commission to monitor its resource and cash requirements over the course of the year. The Commission's budget is requested as a single resource limit, covering all its expenditure.

We are aware that the Commission have agreed a new approach to its budget setting process were they will present draft budget proposals to the Assembly's Audit Committee who will scrutinise the draft budget. Once the Audit Committee has completed its scrutiny, their conclusions will be reported to the Assembly. The Assembly will then vote on the Commission's budget plans and, if approved, that budget will be forwarded to the DoF for inclusion, without amendment, in any subsequent budget presented to the Assembly by the Executive. [This new approach is currently on hold until the NI Assembly resumes its operations.]

Whether the way in which the Assembly Commission provides information on the underspend is clear and transparent

During the financial year, there is regular re-profiling and adjustment to Secretariat and Members' budgets. As part of their budgeting and cost monitoring processes, the Commission maintain a record of expenditure incurred to date as well as any future constituency office staff salary and rent commitments for each member.

Every month the ninety Members will receive a line by line breakdown of their annual expenditure to date and commitments to the year-end, which are compared to the maximum allowable expenses provided by the IFRP determination. This process helps the Commission identify any potential over or underspend at an individual level and cumulatively for all members.

Each month the Commission's Finance Branch prepare a full set of management accounts and forecasts which are formally presented to the Senior Management Group (SMG). Expenditure Reports are generated by the 5th working day of each month for all cost centres which are circulated to budget managers and directors. The reports show actual v budget to date and also budget forecast for the full year.

An analysis of variances is undertaken by directors and their Head of Business (HOB) and this is discussed at a monthly meeting between each of them and the Finance Office.

These meetings take place between the 6th and 7th working day and inform the re-profiling and adjustments to each category of expense. All Directors return a breakdown of this analysis outlining the revised forecasts and how much is being bid for or surrendered. Surpluses must be explained clearly and where no longer required they must be identified for surrender. The Commission's Finance Branch then collates this information which is reported back to SMG by way of a formal paper.

The Commission's Finance Branch prepares a monthly summary of bids and surrenders for consideration by the Senior Management. Once agreed, the Finance Branch then process the bids and surrenders in time for the next month's expenditure report. This information is used to inform the formal Departmental monitoring rounds as appropriate, with surplus funds being surrendered at the earliest opportunity.

Following the formal DoF Dec/Jan monitoring round, when the overall expenditure is fixed to the Spring Supplementary Expenditure position, the emphasis of the monthly process shifts from looking at potential underspends and subsequent surrenders to focussing more on the most efficient utilisation of the remaining resources.

Transparency of the actual spend on Members' pay and allowances is evident from disclosure in the NI Assembly Commission Resource Accounts. The Remuneration and Staff Report details the members' salary-based costs which amounted to £7 million in 2016-17. Note 5 Programme Costs records other payments to Members. In 2016-17 these amounted to £8.8 million. The overall spend on members' pay and allowances for 2016-17 is therefore £15.8 million.

How the Assembly Commission decides to utilise the underspend after meeting the Remuneration Board's determinations

While the members allowance budget is not formally ring fenced, the NI Assembly has an informal arrangement with DoF that any surplus members' allowance monies are returned to DoF and are not vired to other headings.

Should you wish to discuss further any matters within this letter please do not hesitate to contact me.

Yours sincerely

Kieran Donnelly
Comptroller and Auditor General