

Y Pwyllgor Cyllid

Ymchwiliad i'r tanwariant sy'n deillio o Benderfyniadau'r Bwrdd Taliadau

Ymatebion i'r Ymgynghoriad Chwefror 2018

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Finance Committee

Inquiry on the Remuneration Board's Determination Underspend

Consultation Responses February 2018

*Ar gael yn Gymraeg /Available in Welsh

RBU 01	Awdurdod Taliadau Seland Newydd	New Zealand Remuneration Authority
RBU 02	Assemblée Nationale	Assemblée Nationale
RBU 03*	Bwrdd Taliadau	Remuneration Board
RBU 04	Bwrdd Taliadau Riksdag	Riksdag Remunerations Board
RBU 05	Audit Scotland	Audit Scotland
RBU 06*	Comisiwn y Cynulliad	Assembly Commission
RBU 07	Gweinyddiaeth Riksdag Sweden	Swedish Riksdag Administration
RBU 08	Tŷ'r Cyffredin	House of Commons
RBU 09*	Archwilydd Cyffredinol Cymru	Auditor General for Wales
RBU 10	Senedd Seland Newydd	New Zealand Parliament
RBU 11*	Ysgrifennydd y Cabinet dros Gyllid	Cabinet Secretary for Finance
RBU 12	Senedd yr Alban	The Scottish Parliament
RBU 13	Cynulliad Gogledd Iwerddon	Northern Ireland Assembly
RBU 14	Awdurdod Safonau Seneddol Annibynnol	Independent Parliamentary Standards Authority
RBU 15	Swyddfa Archwilio Gogledd Iwerddon	Northern Ireland Audit Office
RBU 16	Y Swyddfa Archwilio Genedlaethol	National Audit Office



[BY EMAIL]

12 December 2017

Mr Simon Thomas
Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA
WALES

Dear Mr Thomas

National Assembly for Wales's Remuneration Board's Determination Underspend

The Remuneration Authority (the Authority) has asked me to reply to your letter of 8 December 2017 regarding the Finance Committee of the National Assembly of Wales inquiry to establish how other parliaments' budget for expenditure related to members' pay and allowances.

New Zealand members of Parliament salaries, superannuation, allowances, and accommodation services are determined by the Authority, which is an independent statutory board established under the Remuneration Act 1977.

The Authority is also responsible for determining the remuneration (sometimes including fees, allowances, superannuation and annuities) for a wide range of senior public office holders within New Zealand including the Governor-General, judicial officers, elected members of local authorities and a variety of statutory officers. Please see our website for further information on our work: <http://remauthority.govt.nz/>.

Two government departments are responsible for the administration of the Authority determinations which cover members of Parliament, Ministers and other members of the Executive. These departments are responsible for the appropriations, budgets and expenditure related to members' pay and allowance, as follows:

- **Department of Internal Affairs** is responsible for the payment of salaries and allowances covering the Executive Council and members of the Executive (all Ministers of the Crown and Parliamentary Under-Secretaries).
- **Parliamentary Service** is responsible for the payment of salaries and allowances for members of Parliament who are neither Ministers nor Parliamentary Under-Secretaries.

Accordingly, the above two departments are best placed to address the issues you have raised in your letter. Here are their contact details:

Department of Internal Affairs

Mr Colin MacDonald
Chief Executive
Department of Internal Affairs
PO Box 805
Wellington 6140
email: colin.macdonald@dia.govt.nz

Parliamentary Service

Mr David Stevenson
General Manager
Parliamentary Service
Parliament Buildings
Private Bag 18041
WELLINGTON 6160
email: david.stevenson@parliament.govt.nz

Yours sincerely



Mike Kunz
Director – Office of the Remuneration Authority



SERVICE DES AFFAIRES EUROPÉENNES
DIVISION DES ÉTUDES EUROPÉENNES ET DU DROIT COMPARÉ

Paris, le 7 février 2018

Remuneration Board

1 – How your Assembly commission forecasts its budget for Remuneration Board determinations?

At the French Assemblée nationale there is no existing remuneration board which deals with the parliamentary allowance. This allowance is indexed to the salary of the highest ranking state civil servants. It is equal to the mean of the lowest and highest salary of civil servants in the category “hors échelle” (highest level).

2 – Which way the assembly commission provides clear and transparent information?

The accounts of the French Assemblée nationale are certified every year by the Court of auditors (Cour des comptes).

Those accounts are published and can be consulted on our website.

<http://www2.assemblee-nationale.fr/decouvrir-l-assemblee/les-comptes-de-l-assemblee-nationale>

BWRDD TALIADAU
REMUNERATION BOARD

Simon Thomas AM
Chair, Finance Committee

22 January 2018

Dear Simon

Inquiry on the Remuneration Board's Determination Underspend

Thank you for your letter dated 8 December 2017, and for drawing the Remuneration Board's attention to the short inquiry the Finance Committee are currently undertaking to establish how other parliaments, within the UK and more widely, budget for expenditure related to Members' pay and allowances.

The Finance Committee will be aware the Remuneration Board functions, as set out in section 3 of the [National Assembly for Wales \(Remuneration\) Measure 2010](#), is to determine the level of remuneration and system of financial support for Assembly Members which enables them to fulfil their roles. It is the role of the Assembly Commission to ensure the budget for the Remuneration Board is sufficient to meet all obligations as set out in the Determination.

In certain circumstances the underspend is used for unforeseen circumstances. Examples of these circumstances would be the costs to provide additional security measures for Members following the tragic murder of Jo Cox MP and decisions taken on individual Members' circumstances which require the Board to use its exceptional powers. These decisions can be taken by the Board, when necessary, without recourse to the Assembly Commission seeking additional

Cynulliad Cenedlaethol Cymru

Bae Caerdydd, Caerdydd, CF99 1NA

Taliadau@cynulliad.cymru

0300 200 6565

Cynulliad Cenedlaethol Cymru

Bae Caerdydd, Caerdydd, CF99 1NA

Remuneration@assembly.wales

0300 200 6565

BWRDD **TALIADAU**
REMUNERATION BOARD

funds. This protects the Board's independence and confidentiality of the Members.

Should the budget not be fully utilised by Members it is the Commission's role to determine how to allocate any related underspend. Therefore it would be inappropriate for the Board to comment how the Commission allocates the potential underspend.

We look forward to the receiving the outcome of the inquiry in due course.

Best wishes,



Dame Dawn Primarolo

Chair, Remuneration Board

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

**RIKSDAG
REMUNERATIONS
BOARD**

2018-01-26

Dnr 45/2017

Finance Committee
National assembly of Wales

The Riksdag Remunerations Board is an independent body. The role of the Board is to reach decisions on matters concerning benefits for members of the Riksdag. The Board is not responsible for budgetary issues. Accordingly the Board does not make any figures on the costs following the Boards decisions.

One of the main tasks for the Riksdag Remunerations Board is – inter alia – to decide the size of the monthly pay for members of the Riksdag. Decisions are reached every year. There are no specific rules to be followed by the Board when the amount is decided. However the annual decisions are based mainly on the general development of salaries in Sweden. The amount is the same for every member. Chairmen and vice chairmen of standing committees receive an additional amount according to regulations laid down in law.

The Board also decides the size and time of the economic benefits that every member of the Riksdag is entitled to when leaving the assignment. Such decisions are reached when a member is leaving the assignment. This mainly occurs after elections and – to some extent – between elections if a member is granted leave. These decisions follow quite detailed provisions laid down in law.

Further information on how the budget for expenditure related to members pay and pensions may be given by the Riksdag Administration.

Sven Johannisson
Reporting clerk

Mr Simon Thomas AM
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

30 January 2018

Dear Simon

National Assembly for Wales's Remuneration Board's Determination Underspend.

Thank you for your letter of 8 December 2017 requesting information on how the Scottish Parliament Corporate Body (SPCB) budgets for expenditure related to members' pay and allowances. In line with the [Code of Audit Practice](#) and the wider audit dimensions, we review the financial management of audited bodies and referred to this in our Annual Audit Report on the 2016/17 audit of the Scottish Parliamentary Corporate Body ([2016/17 annual audit report](#).)

Annual budget process

The SPCB must comply with the Public Finance and Accountability (Scotland) Act 2000 which provides that expenditure by the Scottish Administration and other bodies funded directly by the Scottish Consolidated Fund must be authorised on an annual basis by the Budget Act.

The SPCB's budget "top slices" the Scottish Consolidated Fund and therefore reduces the total amount of budget available to Scottish Ministers. The SPCB prepares an annual budget submission for approval by the Finance and Constitution Committee of the Scottish Parliament. Following Parliamentary approval, the SPCB budget is then published within the Budget Act. The SPCB cannot exceed the level of income and expenditure approved by the Budget Act.

Budget forecasts

There is a set basis for the calculation of MSPs' annual pay budget. This is calculated on the basis that MSP pay will be updated annually on 1 April by a mechanism which links MSP salaries to levels of public sector pay rises in Scotland (the Annual Survey of Hours and Earnings).

The annual budget for members' expenses and support costs such as office costs, staffing and accommodation reflect the limits set by the Reimbursement of Members' Expenses Scheme set up by the Resolution of the Parliament dated 12 June 2008 (last revised on 15 March 2016). It is assumed that not all Members will claim the full entitlement every year, with estimates based on the experience of the scheme to date and trends from previous years.

Reporting budget underspends

Performance against budgets is monitored throughout the year. The Corporate Body receives Finance Reports which report actual spend against year to date budgets for members' costs analysed across the headings of MSP and Officeholders Pay, MSP Expenses and Pay Assistance. These reports are public documents and are available to access from the Parliament's website.

In addition basic information on budget underspends is provided in the SPCB's annual report and accounts. In 2016/17, the SPCB included an explanation for the total budget underspend in the notes to the accounts, including an outline of the reason for the budget underspend against Members expenses.

There is more detailed information included on individual MSPs' expenses on the Scottish Parliament's website. This information can be broken down by monthly periods, allowance and expenditure types. However, it does not contain an assessment against the budget on either an individual or total basis.

Our Annual Audit Report on the 2016/17 Audit of the SPCB included a recommendation to include more details of the main categories of expenditure on Members costs in the annual report and accounts. We will follow up the action taken by management on this issue as part of our 2017/18 audit.

Utilising budget underspends

The SPCB can apply budget underspends to fund other SPCB projects without the formal approval of the Scottish Parliament's Finance and Constitution Committee. The reallocation of budgets across expenditure lines is approved by the SPCB's Strategic Resources Board, made up from members of the senior management team. This approach also applies to budget underspends against member costs. Any budget underspends remaining at the year end cannot be carried forward

I trust that you will find this information helpful to your inquiry.

If you require any further information please contact Elaine Barrowman, Senior Audit Manager on 0131 625 1922 or ebarrowman@audit-scotland.gov.uk.

Yours sincerely



Caroline Gardner
Auditor General for Scotland

Cynulliad Cenedlaethol Cymru
Comisiwn y Cynulliad

National Assembly for Wales
Assembly Commission

Simon Thomas AM
Chair of Finance Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
CF99 1NA

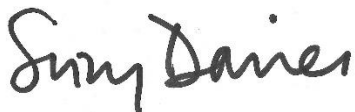
5 February 2017

Dear Simon

I am writing further to your letter of 8 December 2017 regarding your Committee's Inquiry on the Remuneration Board's Determination underspend. We note the Committee's terms of reference for this inquiry and in response we are providing you with a paper (attached), which hopefully addresses the areas of inquiry relevant to the Commission.

Thank you also, for the invitation to a meeting of the Committee in March, which we would be happy to attend to discuss the issues included within the terms of reference and our response. As ever, if there is any further information your Committee would like, please let me know.

Yours sincerely



Suzy Davies

cc Assembly Commissioners, Manon Antoniazzi, Nia Morgan



Cynulliad Cenedlaethol Cymru
Bae Caerdydd, Caerdydd, CF99 1NA
Sulafa.Thomas@cynulliad.cymru
www.cynulliad.cymru
0300 200 6227

National Assembly for Wales
Cardiff Bay, Cardiff, CF99 1NA
Sulafa.Thomas@assembly.wales
www.assembly.wales
0300 200 6227

Finance Committee Inquiry on the Remuneration Board's Determination Underspend

How the Assembly Commission forecasts its budget for Remuneration Board determinations

The Remuneration Board is independent of the Assembly and Assembly Commission. The National Assembly for Wales (Remuneration) Measure 2010 precludes the Assembly or Assembly Commission from subjecting the Board to any control in the exercise of its functions. The Assembly Commission's priority is to ensure that it is in a position to meet all payments and reimbursement of costs to which Members are entitled under the Determination.

The Board may only make one Determination per Assembly for the payment of salaries for Members, these are therefore relatively simple to forecast, subject to the annual uprating. With respect to other aspects, the Board undertakes an annual review of all allowances. It may from time to time, undertake more in-depth reviews of certain aspects of the Determination, which may result in small changes in the budget required for the Determination.

The Assembly Commission forecasts its budget for the Remuneration Board's determination by estimating the cost of fulfilling its obligation under the most recent Determination, by understanding the work programme of the Board for the following financial year, and through discussions with officials supporting the Board.

This does not cover estimates for the costs of the Assembly Commission's contribution to the Members' pension scheme, these are determined by the scheme actuary as explained below.



The forecast for 2018–19 (£16.201million) was estimated as follows:

Analysis of ‘Members’ salaries and related costs’*

Table 1 (9 in Budget)	2017–18	2018–19	2019–20	2020–21
	Budget	Budget	Budget	Budget
	£’000	£’000	£’000	£’000
Assembly Members’ Salary and on-costs (i)	£5,725	£6,140	£6,269	£6,401
Assembly Members’ Support Staff Salaries and on-costs (ii)	£8,110	£8,365	£8,545	£8,729
Allowances and Office Costs (iii)	£1,697	£1,696	£1,724	£1,754
Total	£15,532	£16,201	£16,538	£16,884

*Extract from the final laid Assembly Commission Budget 2018–19.

i) Assembly Members’ salary and on-costs (£6.140million)

In 2016–17, the Remuneration Board Determination set the basic salary for Assembly Members at £64,000 to be uprated each year in line with average earnings in Wales as measured in the Annual Survey of Hours and Earnings (ASHE). For 2017–18, this resulted in an increase of 2.1%. This same annual percentage increase, 2.1%, has been assumed to apply to 2018–19 and reflected in the laid budget. The latest ASHE figures show a 2.3% increase in average earnings, actual salaries in 2018–19 are therefore likely to be in excess of the budgeted figures.

The on-costs associated with the Members’ salaries include National Insurance, Employer Pension contributions and the Apprenticeship Levy, which was introduced as a 0.5% charge on all payrolls, in excess of £3m (less a £15k allowance) per annum, from 2017–18.



Also included are the additional salaries paid to Members holding offices carrying significant extra responsibilities, such as Ministers, the Llywydd and committee chairs, these are set out on page 10 of the 2017–18 Determination. It has been assumed for 2018–19 that the Counsel General continues to be an elected Assembly Member. The impact of two new Deputy Ministers, appointed in November 2017, is not reflected in the 2018–19 laid budget.

The contribution percentage charge for the pension scheme is set by the pension scheme actuary. In the case of the Commission, actuarial services are provided by the Government's Actuarial Department (GAD). The April 2017 valuation of the pension scheme has resulted in the need to increase the pension contribution from 15.6% to 20.8% to avoid the fund going into a deficit position. This has increased the cost by £240k for the year, assuming that Members receive the same salary increase in 2018–19 as they did in 2017–18. This pension contribution increase is reflected in the 2018–19 budget.

Factors that may impact on this element of the budget:

- ASHE figures, when published, are in excess of the budgeted increase.
- A Counsel General is appointed who is not an AM (as happened in May 2011).
- Additional or more costly positions, which attract an additional salary, are created such as further Cabinet Secretary (rather than Deputy Minister) or committee chair posts.
- Changes to on-costs, outside of the control of the Commission e.g. the Apprentices Levy, changes to NI and pension contributions.

There is no provision for these changes or additional payments in the 2018–19 budget.



ii) Assembly Members' support staff salaries, support for political parties and on-costs (£8.365million)

The Remuneration Board Determination sets out the funding available (up to £96,995 per Member per annum in 2017–18) for Members to employ up to three full-time equivalent staff to support them in all aspects of their role. This was increased by 2.1% in 2017–18 as part of the annual review of staff salaries. The same increase applied to the sum available to support all political parties, which is mainly used to employ staff, resulting in £929,110 in 2017–18.

The Remuneration Board has begun a review of staffing support for Members including the adequacy of the level of support provided to Members; the flexibility and prescriptiveness of the current support system for Members; and the suitability of the current terms and conditions of support staff. The findings of the review may have a financial impact in 2018–19 but will not report until autumn 2018. A 3% increase in the Support Staff budget has been estimated for 2018–19 to allow for a potential increase over and above that applied to Members' salaries.

Factors that may impact on this element of the budget:

- The Remuneration Board review results in changes amounting to a greater than 3% increase in the support staff and support for political parties' budgets.
- The budget for Assembly Members' support staff salaries and on-costs does not provide for any unexpected costs such as redundancy payments and death-in-service payments, both of which were payable in 2017–18.
- The budget for Assembly Members' support staff salaries and on-costs does not provide for any unexpected costs such as maternity or long term sickness payments.

There is no provision for these types of payments in the 2018–19 budget.



iii) Allowances and Office costs (£1.696million)

The office costs budget and residential accommodation expenditure, are reviewed annually and adjusted as necessary. For the purpose of estimating a budget for 2018–19, an inflationary uplift only has been assumed (1.56%). This budget line also includes overnight stays, a policy and research fund and travel costs.

Factors that may impact on this element of the budget:

- Unexpected additional costs may arise within this office costs line e.g. the security improvement fund. These additional amounts may need to be funded at short notice and are beyond those originally foreseen in the Determination office costs budget.

Other consideration:

The allowance and office costs budget covers office costs and other items as set out within the Determination. The budget does not however cover all office related costs incurred by Members. The Commission, out of its own budget, provides additional office cost support to Members. The Commission also absorbs all costs associated with the independent Remuneration Board. These costs are not funded by the Determination.



The following amounts are included within the Commission operational budget.

Table 2	2017-18 Forecast	2018-19 Budget
Members' stationery	£60,041	£61,000
Members' printing	£119,191	£120,000
Members' training	£144,987	£145,000
Remuneration Board Costs	£63,839	£68,000
Other Expenses e.g. international travel	£67,046	£76,000
Total	£455,104	£470,000

These costs total £470k, all of which are funded from the Commission operational budget. Although a budget is set by the Commission for these additional items, directly associated with and driven by Members, unlike the Determination spend, there is no set limit on how much each Assembly Member can call upon these services. The amount incurred by Members can vary significantly.

An increase in Remuneration Board expenditure could see this budget, set by the Commission, being exceeded. Under the National Assembly for Wales (Remuneration) Measure 2010, the Commission must provide the Board with such administrative support as the Board reasonably requires to enable it to discharge its functions. The Measure precludes the Assembly or Assembly Commission to subject the Board to any control in the exercise of its functions. The amount that the Remuneration Board therefore could incur on special advisers or consultation exercises during a financial year may go beyond the forecasted budget.



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

In the 2018–19 budget document, scrutinised by this Committee in October 2017 and laid before the Assembly in November 2017, the Commission provides clear and transparent information on the size and utilisation of any underspend arising from the Remuneration Board’s Determination budget.

The 2018–19 budget document contains information on the estimated amount of the underspend anticipated for 2018–19 (£600k) and contains detail on the investment priorities for 2018–19. The budget document clarifies that any underspend that becomes available, contributes to the Commission investment fund and will be utilised on clearly defined priority projects, as set out within the budget document.

The Commission has also been clear and transparent on its use of the Remuneration Board’s Determination budget underspend during 2016–17 and 2017–18, providing information relating to the likely Remuneration Board’s Determination underspend for both years to the Committee, as requested, in letters dated 28 March 2017 and 21 December 2017.

The following information (table 3), is an extract from the letter sent to the Committee on 21 December 2017, and provides information on the anticipated investment fund for 2017–18 and 2018–19 and the contribution anticipated from the Remuneration Board’s Determination budget line.



Table 3	£'000	£'000
	2017-18	2018-19
Opening Investment Fund	£850	-
Capital Budget	£500	£500
Total Investment fund within the core Commission budget for priority/essential items	£1,350	£500
Estimated funds becoming available from underspends within:		
- Operational Budgets	£500	£800
- Remuneration Board Determination Budget	£1,000	£600
Total estimated funding released/available for investment priorities	£2,850	£1,900

The Commission will continue to set out each year, in its final budget document, the expected amount that will remain unutilised from the Remuneration Board's Determination Budget. This will ensure transparency where the budget is set at 100% and flexibility to accommodate unexpected items of expenditure under the Determination.

The Commission will, as it did last year, review the presentation of the budget and the amount requested within the Determination budget line at its April meeting. This is to ensure that it remains the most transparent and flexible mechanism and presentation to address the requirements of the Remuneration Board's Determination.



In addition, transparency will continue to be ensured as our annual report and accounts document, audited by the WAO, will also provide full details of our expenditure against the Remuneration Board's Determination budget for each financial year.

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

Meeting the Determination

As noted above, the Assembly Commission's priority is to ensure that it is in a position to meet all payments and reimbursement of costs to which Members are entitled under the Determination. The Commission monitors the payments made under the Determination throughout the year to ensure there is sufficient funding to reimburse all costs until the end of the financial year.

This forecasting provides an estimate of the likely underspend or shortfall to be expected at the end of the financial year. During the year, an assessment is made as to the certainty of the estimate and whether it is prudent to use any of the projected underspend on priority investment projects. This is achieved with regular communication with Members' Business Services (MBS) who provide forecasts of Member expenditure along with explanations of significant variances in spending trends. MBS also ensure the forecast is updated regularly to reflect additional items not included in the budget, as soon as they arise.

At no point during the financial year will the Commission have "met" the Determination. The actual funding required by the Determination will not be known with certainty until three weeks after the end of the financial year, when the majority of claims will have been received from Assembly Members.



Utilisation of the Remuneration Board's Determination underspend

During the year, the entire budget, including anticipated underspends, is continuously monitored. Forecasts are revised on a fortnightly basis to accurately gauge the Investment Fund available for project and other priority expenditure by the Commission. These forecasts are reviewed by Investment and Resourcing Board (IRB) and investment prioritisation and expenditure decisions, following scrutiny, are made at the fortnightly IRB meetings.

The information in table 4 shows the anticipated demands on the investment fund for 2017–18. This includes unexpected demands on the Determination along with project expenditure for 2017–18. Information on the anticipated expenditure for 2018–19 can be found within the Commission's Final Budget for 2018–19 (page 29), laid before the Assembly in November 2017.

During 2017–18 the combination of the Determination underspend, operational underspends, the capital budget and the opening investment fund (Table 3 – £2.85million) were used to fund the following prioritised items:



Table 4

Expenditure of underspend and Investment Fund		£'000
Impact of 2016–17 changes in staffing capacity		£1,000
Determination Expenditure:		
- Death in service AMSS*	£125	£177
- Additional ministerial salaries*	£21	
- AMSS redundancy payments*	£31	
Apprentice Levy		£110
EFM Priority Expenditure:		
- Phase 2 Electrical Distribution Boards	£29	£133
- Senedd & Pierhead lift improvements	£34	
- Ty Hywel water risk assessment remedials	£16	
- Ty Hywel Lifts 1,2 & 3 rope replacements	£54	
Projects (Table 5 – below)		£1,262
Total investment expenditure		£2,682
Remaining Balance		£168

*The items marked were not foreseeable at the beginning of the financial year.



Table 5 – Project Expenditure

These items are summarised in table 4 above (£1,262k).

2017–18 Project Expenditure:		£'000
Library Management System		£32
Finance System (phase 2)		£22
MySenedd, including:		£156
– Website and Content Management	£35	
– Information Management	£22	
– Record of Proceedings	£52	
– Table Office	£32	
Ground Floor works including ICT and broadcasting equipment		£513
CCTV		£362
Assembly Reform		£100
Future accommodation planning		£23
Weeping Window (Poppies)		£44
Youth Parliament		£10
Total Project budgeted expenditure* (Table 4 above)		£1,262

*Year-to-date actual expenditure is £962k.



Presentation of the Commission 2019–20 Budget

As noted in our letter to your Committee, dated 21 December 2017, the Investment and Resourcing Board (IRB), at its 7 December meeting, considered a paper on the presentation of the 2019–20 Commission Budget. IRB recommended that the Commission consider alternative budget presentations for 2019–20, rather than continuing with the existing presentation. Our aim in presenting a revised model would be to address the concerns around transparency raised by your Committee, whilst maintaining flexibility and minimising risk to the Commission budget.

The Commission will review alternative budget presentations in the Spring of 2018. Two alternative models to be considered are as follows:

- a ring-fenced budget for the Remuneration Board's determination, set at 100%, with unused amounts being returned to the Welsh Consolidated Fund via a supplementary budget, with a corresponding increase seen in the Commission's operational budget.
- a reduced amount, e.g. a 98%, being set as a budget for the funding of the Remuneration Board's Determination, with a corresponding increase seen in the Commission's operational budget.

Assembly Commission

February 2018



7 February 2018

Our ref. 074-2017/18

Questions concerning the budget for expenditure related to Members' pay and allowances

General information about the Riksdag and compensation to members

The Swedish Parliament – the Riksdag – has 349 members who are elected every four years. In addition to this there is a Speaker. Three of the members also serve as Deputy Speakers.

The members' basic pay is determined by the Riksdag Remunerations Board. Since October 2017, this pay has amounted to SEK 65,400 per month (approx EUR 6,500). The Speaker has the same pay as the Prime Minister, which is currently SEK 168,000 per month (approx. EUR 17,000). The Deputy Speakers have a supplement of 30 per cent in addition to their monthly pay. The Chair and Deputy Chair of a Committee or the Committee on European Union Affairs receive a supplement of 20 and 15 per cent in addition to their monthly pay respectively. Certain assignments, including serving as a member on the Riksdag Board, entitles individuals to special remuneration.

In addition to their pay, members are entitled to reimbursement for their official journeys, per diem, overnight accommodation or reimbursement for equivalent accommodation if the member lives further than 50 km from Stockholm, old-age, sickness and survivor's pension, insurance, temporary childcare services for their own children under the age of 12 and a parking space. Rules concerning this are laid down in the Act on Compensation to Members of the Riksdag (2016:1108).

A member who leaves the Riksdag is entitled – in certain circumstances – to a severance package in the form of guaranteed income (for members elected before 2014) or financial redeployment support (for members elected after 2014). In addition, they are entitled to adjustment measures to help them re-enter working life, for example help from a coach. Previous members are also entitled to one month of pay after they have left their position.

Anders Norin

Head of the Department for Administrative Services for Members • The Riksdag Administration

In certain circumstances, a member may be granted leave, for example parental leave or for illness. If this leave lasts longer than 30 days, an alternate member is called in to carry out the member's assignments during their leave. In principle, the alternate member has the same rights and obligations as an ordinary member.

The budget process

One of the Riksdag's most important tasks is to take decisions regarding expenditure and revenue in the central government budget. The Riksdag's work on the central government budget starts every year with a proposal from the Government. The Government presents its preliminary proposal - the Spring Fiscal Policy Bill - in April. This contains the guidelines for Sweden's economic policy. In September, the Government presents its second proposal - the Budget Bill - which contains the entire central government budget.

The Budget Bill is managed via a two-step process. The first step involves the Riksdag establishing an expenditure limit for each expenditure area at the request of the Committee on Finance. There are 27 expenditure areas, each of which contains different appropriations. Following this, the expenditure areas are considered by each parliamentary committee. Costs attributable to the pay of Riksdag members and other financial benefits are included in expenditure area 1 Governance.

Costs relating to the pay of Riksdag members and other financial conditions are contained in appropriation 2:1 Parties and members of the Riksdag, etc. This appropriation can be used for such things as costs for remuneration to which Riksdag members are entitled within the framework of their assignment as members as well as the Speaker's activities, trips and entertainment.

During the period 2015-2017, appropriation 2:1 amounted to a total of SEK 880,000,000 per year, or around EUR 88,000,000. In 2018, the total amount is SEK 894,711,000, or around EUR 89,500,000.

To this can be added the costs linked to the Riksdag Administration's administrative expenses, such as employees' salaries, rents and similar items. These costs are included in appropriation 2:2. Appropriation 2:3 relates to the Riksdag's properties, while appropriation 2:4 concerns the Parliamentary Ombudsmen.

Once the Riksdag has taken a decision on the expenditure limit, expenditure areas and appropriations in December of each year, a decision is then taken on the exact distribution of the amounts contained in the Riksdag Administration's internal budget. This takes place in February of each year. A decision has not yet been taken on the internal budget for 2018. With respect to pay and trips, pensions, severance packages and individual official trips abroad, appropriation 2:1 was distributed as follows in the internal budget for 2017:

Members' pay	SEK 361,600,000 (aprox. EUR 36,160,000)
Travels in Sweden	SEK 56,000,000 (aprox. EUR 5,600,000)
Climate offsetting	SEK 500,000 (aprox. EUR 50,000)
Pensions	SEK 100,000,000 (aprox. EUR 10,000,000)
Administration of pensions	SEK 850,000 (aprox. EUR 85,000)
Adjustments measures	SEK 500,000 (aprox. EUR 50,000)
Guaranteed income	SEK 30,000,000 (aprox. EUR 3,000,000)
Financial redeployment support	SEK 1,000,000 (aprox. EUR 100,000)
Administration of severance packages	SEK 800,000 (aprox. EUR 80,000)
Individual official trips abroad	SEK 6,107,000 (aprox. EUR 611,000)
Total	SEK 557,357,000 (aprox. EUR 55,736,000)

As specified, expenditure area 1 and appropriations 2:1 and 2:2 are included in the Government's Budget Bill. However, calculations, texts and supporting documents are produced at the Riksdag Administration, which is the authority under the Riksdag tasked with supporting the work of the Riksdag. The Finance Department has principle responsibility for this work. Relevant departments within the Administration also contribute supporting documentation and calculations, however.

The supporting documents to the aforementioned parts of appropriation 2:1 are produced by the Department for Administrative Services. This work takes place at the beginning of each year.

With respect to **pay**, a calculation is produced based on the number of members and taking into consideration such factors as pay increments, an

estimate of how many members are expected to leave their position during the budget year and the fact that pay is normally increased by around 2 per cent each autumn. The Speaker's pay and employers' social security contributions can be added to this. Of major significance to the calculation is whether the coming year is an election year or not. The results of the past two years have exceeded the budgeted amount by around SEK 1,000,000 - 2,000,000.

With respect to **trips within Sweden**, an estimate is made of the cost on the basis of previous years' results and travel patterns, as well as by taking into account whether the budget year is an election year or not. Experience shows that members' travel increases during an election year, as well as by other modes of transport. An assessment of any future hikes in ticket prices or similar rises is included in the calculation, along with the cost of the travel company the Administration uses. Results from the past two years have fallen below the budgeted amount, or SEK 55,000,000, by several million kronor.

Each member may use a total of SEK 50,000 for **individual official trips abroad** for each electoral period. The total cost per electoral period of four years therefore amounts to SEK 17,450,000. This total amount is distributed across the four-year period, taking into account experience of the travel patterns that tend to characterise work at the Riksdag during an electoral period. So far, a lower amount of SEK 2,617,500 has thus been set aside for years 1 and 4, that is, 2015 and 2018, while a higher amount of SEK 6,107,000 has been set aside for years 2 and 3, that is, 2016 and 2017. Results usually fall below the budgeted amount by one or several million SEK.

The budget heading **pensions** includes old-age pension, disability pension and survivor's pension. The current pension system was introduced through a reform in 2010. Due to different transition rules, previous pension reforms may also be relevant. It is hard to calculate pension costs with any certainty. The assessment is made based on previous results, as well as assumptions of how many people will be taking out some form of pension over the coming years. In recent years, results have largely corresponded to or fallen somewhat below budgeted amounts. The trend is for pension costs to increase slightly each year, which is linked to the formulation of the new regulations that were introduced in 2010.

Costs of **severance packages** such as guaranteed income and financial redeployment support are hard to estimate and calculate, as the results are dependent upon how many members will leave the Riksdag over the

coming year and it is not possible to know in advance how many of these previous members will request a severance package. Aspects such as the age, length of service at the Riksdag and the applicable severance package system of each previous member are also significant. Another factor of uncertainty is that the guaranteed income system will be gradually replaced by a system that was introduced in 2014 – financial redeployment support – which is less financially beneficial. The calculation is based on previous results and an assessment of the aforementioned factors. With respect to guaranteed income, results from previous years have fallen below the budgeted amount. Since the financial redeployment support severance package is new, the results have so far been modest.



HOUSE OF COMMONS

Simon Thomas AM
Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

7 February 2018

Dear Chair,

Thank you for your letter of 8 December, requesting written evidence for your Committee's inquiry on the Remuneration Board of the National Assembly's determination underspend. As the Terms of Reference for the inquiry mostly focus on the workings of the Assembly Commission, this submission provides information related to the final bullet point "how other parliaments, within the UK and more widely, budget for expenditure related to Members' pay and allowances".

As you will be aware, the vast majority of Members pay and expenses are now dealt with by The Independent Parliamentary Standards Authority (IPSA). IPSA will provide written evidence themselves, to cover the Members pay and expenses that they deal with. Therefore, this submission only refers to the pay and expenses dealt with by the House of Commons.

The elements remaining within the House of Commons Estimates [REDACTED] are as follows:

Members Estimate

Deputy Speakers pay

Administration Estimate

Resource

Stationery and postage

Committee travel

Capital

IT equipment

These items are budgeted for in the same way we budget more widely. For example, The Deputy Speakers' pay is based on actual salary costs plus expected inflation. The stationery and postage budget is based on the number of members, the annual allowance and a forecast of how much of the allowance will be taken up, based on trends in previous years. In 2016-17 this budget was underspent by £338,000 (12.1%). The Committee travel budget contains separate sums for UK-travel (which is not cash limited) and overseas

travel (which is subject to a cap set by the House of Commons Commission), with in both cases the subsistence costs reimbursed to Members being based on HMRC-recognised guidelines. In 2016-17, this budget was underspent by £226,000 (27.5%). The budgets are based on trends in previous years. IT equipment is based on the allowance and a forecast of how many members will take up their allowance and when they will take up the allowance, based on trends in previous years.

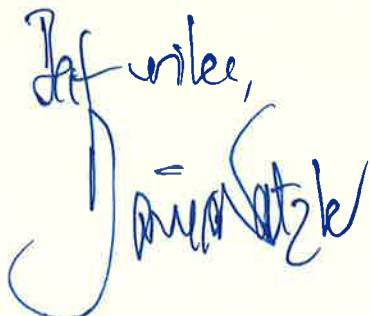
The budgeting process aims to minimise underspend. Underspends are used if necessary and permissible to fund agreed overspends elsewhere in the budget.

In 2016-17 the IT equipment budget of £200,000 was breached by £54,978, and an excess vote occurred. The Public Accounts Committee reported on this in its report, Excess Votes 2016-17. The report states:

No individual Member exceeded their individual allowance for equipment purchases. However, during 2016–17 the House failed to apply its normal level of budgetary control on this specific ICT expenditure, which sat outside the normal purchase order processes applicable to other areas of expenditure. The House failed to anticipate, in considering its Supplementary Estimate, the impact of the high level of new Members from by-elections since the 2015 General Election, resulting in additional capital expenditure of £32,000. Furthermore, capital expenditure of £63,000 which should have been recognised in 2015–16 (as it related to ICT equipment ordered and received in that year) was not identified until late in 2016–17. These factors contributed to inadequate forecasting and the overall capital overspend in 2016–17.

The House of Commons have taken a number of actions, some of which were already planned prior to the end of 2016-17, to mitigate against an overspend recurring. These comprise: changes to the procurement and accounting processes; changes to the handling of provisioning and recording of assets; and the Estimate process. From 2017-18, Members Loan equipment, support and broadband services have been transferred from the House of Commons Members Estimate to the House of Commons Administration Estimate. This will ensure purchase orders and commitments are recorded on the House Administration Information System (HAIS), goods receipting and monthly accruals can be recorded, standard reporting will be available and this budget and costs will be included in the regular re-forecasting exercise.

I hope this information is useful to the Committee's inquiry, and also sets out some of the issues that arise here at Westminster.

A handwritten signature in blue ink, appearing to read 'David Natzler', written in a cursive style.

David Natzler, Clerk of the House of Commons
London SW1A 0AA T: 020 7219 1310

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ

Tel / Ffôn: 029 2032 0500

Fax / Ffacs: 029 2032 0600

Textphone / Ffôn testun: 029 2032 0660

info@audit.wales / post@archwilio.cymru

www.audit.wales / www.archwilio.cymru

Mr Simon Thomas AM
Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Reference: HVT/2811/caf

Date issued: 7 February 2018

Dear Simon

Thank you for your invitation to attend the Finance Committee on 15th March to discuss the Committee's inquiry into the way in which the Assembly Commission utilises the Remuneration Board's Determinations underspend. I have asked Anthony Barrett, my Assistant Auditor General to attend the meeting on my behalf. Anthony will be supported by Ann-Marie Harkin, Financial Audit Lead for the audit of the Assembly Commission's accounts.

I do not wish to add to the observations made in Anthony's letter to the Committee dated 20 June 2017, which I append to this letter.

Yours sincerely



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES



24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ

Mr Simon Thomas AM
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Reference: AJB301

Date issued: 20 June 2017

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



8 February 2018

Simon Thomas AC
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff, CF99 1NA
WALES
SeneddFinance@assembly.wales

Dear Simon

Re: Inquiry on the Remuneration Board's Determination Underspend (Welsh Assembly)

I am responding to your letter dated 8 December 2017 seeking an understanding of how New Zealand Parliament budgets relating to pay, allowances and entitlements for members of parliament are set and managed.

Background

In New Zealand, the [Members of Parliament \(Remuneration and Services\) Act 2013](#) (the Act) provides for members of Parliament (members) to be properly supported in a way that maintains confidence in the integrity of Parliament. The Act:

- provides for the remuneration of members;
- ensures they have services that they require to enable them to carry out their roles and functions;
- establishes an efficient and effective system for determining those services; and
- provides for travel services for family members of members.

Under the Act, entitlements for New Zealand members are determined by either the Remuneration Authority (the Authority, which is independent) or the Parliamentary Service (the Service). However, they are administered by the Service.

Salaries and expense allowance

Under the Act, the Authority must determine the salaries and the expense allowance to be paid to members. Section 12 of the [Remuneration Authority Act 1977](#) specifies how the salaries for members must be fixed. The Authority issues a [Determination](#) that specifies the salaries for members and specific office holders. The Determination also provides for an expense allowance for members which is used to cover out-of-pocket expenses incurred by members carrying out parliamentary business, such as for gifts, memberships and meals. In the past, increases to the allowance have been linked to the New Zealand Consumers Price Index movement. In 2017 the allowance was increased by 1.7% on the previous Determination in line with the New Zealand Consumers Price Index movement to 30 June 2017. The Service provides the payroll services for paying salaries and the expense allowance to members. Separate entitlements are available to cover expenses such as travel, accommodation and communications services.

Support services

Remuneration Authority

Under the Act, the following services must be determined by the Remuneration Authority:

- Accommodation services for members; and
- Travel services for family members of members.

The Authority issues a [Determination](#) that specifies the related entitlements for members. The explanatory memorandum at the end of the Determination provides useful background about the process followed, including who is consulted during the process. These services are administered by the Service.

Parliamentary Service

Under the Act, other entitlements are set by the Speaker of the House under [Directions by the Speaker of the House of Representatives 2017](#) and these entitlements include:

- Members' travel services;
- Administrative and support services for members, such as staff and offices;
- Communications services; and
- A capped contribution to a home based security system.

Directions are issued by the Speaker once every term of Parliament, so generally every three years and in time to take effect at the start of a new Parliament. Before issuing Directions, the Speaker must take into account any relevant advice given by the Parliamentary Service Commission¹. The Parliamentary Service Commission is required to recommend to the Speaker persons who are suitable to be members of a review committee (the Committee). A Committee must be established at least once every term of Parliament to review the amounts of money appropriated for members' entitlements set under the Directions. The Committee must consider whether the amounts of money appropriated are being used efficiently, and are adequate to enable members and parties to effectively perform their functions. The Committee consults with the Parliamentary Service Commission before making recommendations to the Speaker about issuing new Directions, including allocation amounts for members' support services. The Directions² specify the maximum amounts available to members for support services.

Budget Process

The Service follows the same process as all government agencies and departments in New Zealand and maintains baseline funding which rolls forward each year. Additional baseline funding (or a reduction in baselines) can be applied for on an annual basis. The Service applies for baseline funding for Members of Parliament (excluding salary costs) on a Parliamentary term basis – once every three years. The Service utilises the level of funding that has been recommended by the Committee and applies for the maximum amounts allowable per member. If the application is successful, the Service is issued with a series of appropriations (legal authority to spend) relating to each type of expenditure (<http://www.treasury.govt.nz/budget/process>). The series of appropriations relating to the Service is known as Vote: Parliamentary Service. Each appropriation within a vote has a scope statement that restricts expenditure under that appropriation to the scope.

Funding for members is down at the party level as funding for a party leader's office and wider leadership costs are also funded as well as costs associated with each member running a constituency office and hiring staff etc. Each party is given a multi-year appropriation that is restricted in time period and scope of expenditure. The [Vote: Parliamentary Service appropriation](#) is available online, and below is an example of an appropriation scope:

Scope statement for each political party in the 52nd Parliament of New Zealand:

This appropriation is limited to funding for the XYZ parliamentary party to support their parliamentary operations during the 52nd Parliament including its Leader's office, support staff, research operations, Whip's office, communications, administrative and support services for members, and, during the immediate post-election period, qualifying electoral candidates and former members, as allowed under directions given by the Speaker.

The appropriation can be adjusted on a bi-annual basis if the movements in the number or status of the members changes the level of funding they are entitled to under the appropriation. Members of Parliament and Leaders' offices can utilise funds under the Speaker's Directions up to the maximum stated. Any underspend cannot be utilised for other purposes by the Service as all expenditure must be made within the scope statement that governs each appropriation.

Appropriations are an authority to spend. The Service draws down against them based on cash flow forecasts rather than receiving the full amount and returning underspend. Members utilise funds directly – for example, all office, staff and incidental costs are paid directly by the Service as opposed to being paid for by the member and claimed back.

¹ Sections 14 and 15 of the Parliamentary Service Act 2000

² Schedule 4

I trust this assists and thank you again for the invitation to provide a submission. Should you require any clarification or further information, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'D Stevenson', with a large, stylized initial 'D' and a long, sweeping underline.

David Stevenson
General Manager

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA – P/MD/0457/18

Simon Thomas AC
Chair of the Finance Committee

7 February 2018

Dear Simon

Thank you for your letter of 8th December regarding the Committee's inquiry on the Remuneration Board's determination underspend.

As you know, the Welsh Government is responsible for laying the annual and supplementary budget motions under the Government of Wales Act 2006 and for incorporating into those budget motions the budgets of all bodies directly funded by the Welsh Consolidated Fund (WCF).

Standing Orders sets out the budget setting process for each body directly funded from the WCF, ensuring budgets and expenditure are properly scrutinised by the Assembly and bodies are accountable for the funds that they use.

The Welsh Government uses the information published and agreed under those arrangements to compile and gain formal approval of the budget in the annual and supplementary budget motions.

The Welsh Government is also responsible for reporting on the Welsh Block as a whole to HM Treasury including the total underspend position each year and manages the arrangement to carry forward underspends. In practice, communication channels are established between officials of each direct funded body and the Welsh Government to ensure the in-year position is effectively managed.

I was interested to read see Committee's report on the Assembly Commission's Draft Budget and the information provided by the Auditor General for Wales included in your letter. Whilst it would not be appropriate for me to comment on how the Assembly Commission should set and gain agreement for its budget, I would like to offer the following observations.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Mark.Drakeford@llyw.cymru
Correspondence.Mark.Drakeford@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

As you know, the Welsh Government has taken a number of steps to increase the transparency of its budget over the years. In times of austerity, this is of particular importance as budgets within the public sector are increasingly constrained. I would welcome any measures to increase transparency across the other bodies funded from the WCF.

Our approach to transparency within the Welsh Government ensures that resources are used for the purposes for which they were voted and estimates of expenditure are robust and realistic. When proposing budgets, we draw on the best possible evidence available to inform our planning.

In respect of the more technical aspects concerning the reporting and utilising of underspends, the Wales Reserve will provide the mechanism to carry forward underspends from one year into the next. Underspends from all bodies funded from the WCF at year end will go into the Reserve. All bodies may propose and request changes to their budget in year via the supplementary budget process and additional funding requirements in year are managed by the Welsh Government following the Assembly's scrutiny of the body's proposal.

Given the relatively small sums involved in respect of other direct funded bodies, this approach has worked well to date. However, should the levels of underspend and/or request for resources in year increase (as could be the case under the suggestion put forward by the AGW), we would need to ensure there is a proportional level of governance around this process to enable the Welsh Government to continue to effectively manage the reserve position and in-year resources are not compromised. In practice, I would expect this to be reflected in an enhancement to the clear lines of communication that are already established between officials of the relevant bodies.

I hope you find this information helpful.

Best wishes,

A handwritten signature in black ink that reads "Mark". The letters are cursive and slightly slanted to the right.

Mark Drakeford AM/AC

Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



The Scottish Parliament
Pàrlamaid na h-Alba

The Presiding Officer
Rt Hon Ken Macintosh MSP

Simon Thomas AC
Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

09 February 2018

Dear Simon,

National Assembly for Wales's Remuneration Board's Determination Underspend

I am writing in response to your request for information on how the Scottish Parliamentary Corporate Body budgets for expenditure related to Members' pay and allowances.

The arrangements for Members' salaries and for the reimbursement of expenses are set out in separate schemes, both of which were established by resolutions of the Parliament. These resolutions authorise the Scottish Parliamentary Corporate Body (SPCB) to administer certain aspects of the schemes, but any change to the schemes themselves require the approval of Parliament.

Salaries

The current Salaries Scheme has effectively been in place since 2002 and originally set Members' and ministerial salaries at 87.5% of the equivalent salaries for members of the House of Commons. The Salaries Scheme was amended with effect from April 2015 to replace the link to MP's salaries with a link to Scottish public sector earnings, as measured by the Annual Survey of Hours and Earnings (ASHE).

The budgeting for Members' salaries is relatively straightforward, as the number of Members is fixed and the ASHE index used to uprate the salaries is published in October, in advance of the SPCB finalising its budget submission. Accordingly, the actual figures for Members' salaries match very closely to the approved budget.

Reimbursement of Expenses

The current Reimbursement of Expenses Scheme has largely been in place since 2008. This implemented a series of recommendations from an independent review panel (the Langlands Report), which had been commissioned by the SPCB in 2007.

The Scheme provides for the reimbursement of various categories of costs which are incurred by Members in undertaking their parliamentary duties. Some of these categories, principally the Staff Cost Provision and the Office Cost Provision, are subject to a capped annual limit in each financial year. Other costs, such as travel, are reimbursed according to the rules of the Scheme and are therefore not subject to a capped annual limit.

Our experience of the Scheme's operation over many years is that, in practice, many Members do not claim the maximum potential entitlement that the capped provisions would theoretically allow. Accordingly, we make an estimate of that percentage 'underspend' in setting the SPCB's budget for Members' Expenses. This varies across the different categories of expenditure provision.

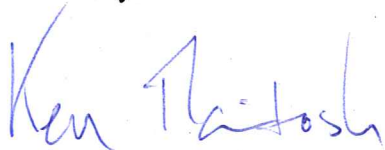
The outturn for Members' Expenses is less predictable than for Salaries, so a greater degree of tolerance needs to be built in to the annual budget to allow for different expenditure patterns.

Overall Budget

The budget for Members' salaries and expenses forms part of the SPCB's overall budget submission. To the extent that there is an overspend or underspend in Members' costs, it needs to be managed at a corporate level by compensating adjustments, either to the SPCB's central contingency or to the amount budgeted for other expenditure.

I hope that this response will be of assistance to your inquiry.

Yours sincerely



Rt Hon Ken Macintosh MSP
Presiding Officer



Northern Ireland
Assembly

Clerk to the Assembly/Chief Executive
Parliament Buildings, Ballymiscaw, Stormont
Belfast BT4 3XX
Tel: +44 (0)28 9052 1199
email: lesley.hogg@niassembly.gov.uk

Simon Thomas AM
Chair of Finance Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
CF99 1NA

9 February 2018

Dear Mr Thomas

Inquiry on the Remuneration Board's Determination Underspend

Thank you for your letter dated 8 December 2017 seeking views on how the Northern Ireland Assembly Commission (NIAC) budgets for expenditure related to Members' pay and allowances and to highlight any issues that may have arisen under this budgeting process. This evidence is provided in my role as the Accounting Officer for the NIAC's budget. I would be pleased to offer oral evidence to the Committee should that be required.

When compiling this evidence, I have considered the legislative context for the expenditure that is incurred by the NIAC in relation to Members' pay and allowances. It might be helpful to set out that legislative context.

The NIAC is the body corporate for the Northern Ireland Assembly. Section 40(4) of the Northern Ireland Act 1998 ("the 1998 Act") specifies that the NIAC "shall provide the Assembly, or ensure that the Assembly is provided, with the property, staff and services required for the Assembly's purposes." Sections 47 and 48 of the 1998 Act make provision for the Assembly to Determine the salaries, allowances and pensions payable to Members (and former Members) of the Legislative Assembly (MLAs).

In the Northern Ireland context, the equivalent body to the Welsh Remuneration Board is the Independent Financial Review Panel ("the Panel"). The Panel was established under section 1 of the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) 2011 ("the 2011 Act"). Section 2 of the 2011 Act specifies that the functions of the Panel are to make Determinations as to the salaries and allowances payable to MLAs under section 47 of the 1998 Act and the pensions, gratuities and allowances payable under section 48 of that Act.

The responsibility for Determining the quantum of pay and allowances for MLAs and any qualifying criteria attached to that expenditure falls to the Panel. The NIAC has responsibility for assessing whether those criteria have been met, for making resulting payments and for reporting on all payments made to MLAs each year. Budgeting for the costs associated with all payments made under a Determination also falls to the NIAC.

For the 2017/18 financial year, the NIAC's overall budget proposals (including MLAs' costs and all other revenue and capital costs) were presented to the Assembly's Audit Committee in October 2016 under a Memorandum of Understanding on the NIAC Budget Setting Process agreed with the Northern Ireland Executive (see Appendix A). This Memorandum was agreed as a response to budgeting exercises between 2010/11 and 2015/16 that saw the NIAC's budget reduced via Executive-led budget plans. The Memorandum was intended to place the process for setting the NIAC's budget on a more constitutionally sound footing.

The budget proposals that are presented to the Audit Committee include the costs arising from the most recent Determination issued by the Panel and the staffing and administration costs that are incurred by the NIAC when carrying out its statutory functions. In Estimates terms, the NIAC's expenditure is approved by the Assembly (or by Westminster for this financial year) under a single Vote. There has been some debate about the merits or otherwise of splitting this Vote into two parts; one for MLAs' costs and the other for Commission-incurred running costs but a single Vote has prevailed.

Although not explicitly set out in the Memorandum, there was considerable discussion with officials from the Department of Finance (DoF) about the treatment of costs associated with MLAs. These discussions were informed by previous cuts to the Commission's budget that were applied to the entirety of the budget when, in reality, the costs for MLAs could not be reduced as they were established under legislation (i.e. a Determination issued by the Panel). Consequently, the entirety of the budget cut was managed by the Commission through reductions in staffing and other running costs.

It was subsequently agreed that MLAs' costs would be estimated in full but that any excess budget provision that was identified during the financial year would be returned to the DoF. Similarly, should the costs associated with MLAs increase for any reason (for example, through a revised Determination issued by the Panel) the increase in costs over and above the initial estimate would be met in full from additional resources from DoF and the NIAC would not be required to fund this increase from its remaining budget.

In terms of the specific areas highlighted by the Committee and set out in your letter of 8 December, I will cover each in turn.

How the Assembly Commission forecasts its budget for Remuneration Board Determinations?

The NIAC forecasts its budgetary requirements for MLAs' costs based on the maximum possible uptake of those costs. A significant element of MLAs' costs

relates to set amounts (for example, salaries and travel costs are fixed), some of the remainder are variable amounts but are well known in advance (for example, office rental and rates costs based on existing leases or MLAs' staffing costs) and much of the remaining costs are covered by annual limits (for example, there is £4,900 limit for constituency office operating costs and a £600 limit for mobile phone costs).

MLAs' salaries are included in the forecast at the levels that are prescribed in the extant Determination. The Determination includes an annual uprating of salaries if certain inflation criteria are met and any uprating is included in the salary forecasts. Salary on-costs (for example, employer's national insurance contributions and Consolidated Fund payments to the Members' Pension Scheme) are also included in the forecast.

Costs for rent and rates for MLAs' constituency offices are constrained by limits set out in the Determination with the estimate of costs for each year based on the leases that must be provided to the NIAC before any rent or rates payments can be made. These lease amounts tend to be relatively stable. Similarly, the yearly costs for MLAs' staff are stable making forecasting relatively simple. Each MLA can employ 2.0 FTE members of staff and the Determination specifies pay scales for each member of staff with uprating provisions included. Therefore, the salary costs for MLAs' staff (including employer's on-costs) can be readily ascertained.

The forecast for those elements of the Determination that are expressed as limits are calculated as "number of MLAs x limit set out in the Determination". So, for constituency office operating costs this would be 90 (MLAs) x £4,900 (limit in Determination) = £441,000. Other costs of this type are forecast in a similar manner. In practice, not every MLA will utilise the full limit available but provision is made for the full amount in the NIAC's initial budgets to provide sufficient budgetary cover for this eventuality.

There are a small number of costs where year-on-year estimates are made. These include costs for statutory redundancy payments for MLAs' staff, for costs associated with MLAs retiring through ill-health and for costs that are claimed by MLAs as result of disability adjustments. These costs are estimated based on experience of previous claims of these types and from regular interactions with MLAs.

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

Any forecast underspend or overspend on MLAs' costs is calculated internally. As noted previously, the NIAC's budget for 2017/18 was agreed by the Audit Committee in October 2016. The budget that was approved for Non-Ring Fenced DEL Resources (i.e. Departmental Expenditure Limits Resources excluding depreciation and impairment charges) was £38.414m and this total was split according to the relevant categories of expenditure. Of this amount, £15.709m related to MLAs' costs covering MLAs' salaries, MLAs' Other Costs

(including winding up expenses, disability payments, etc.), MLAs' travel costs and constituency office costs (including MLAs' staffing costs).

Each month, the actual expenditure against the total budget is reported and revised forecasts for each category of expenditure are calculated. An extract from the management accounts for December 2017 is shown at Appendix B. These reports are reviewed by senior managers and reported to the NIAC. Following that review process, the actual expenditure for all categories of expenditure (including the various categories of costs associated with MLAs such as salaries, constituency costs, travel costs, etc.) is reported to the DoF. This reporting is largely for cash management purposes. In addition, the NIAC also reports to the DoF on its up-to-date forecasts for each of these categories including MLAs' costs on a monthly basis. In this way, the impact of the agreement that is mentioned above about releasing surplus funds (or seeking additional funds) is readily apparent.

The operation of the spirit and intent of the Memorandum has been clearly demonstrated throughout 2017/18. For example, the NIAC's budget for 2017/18 that was agreed in October 2016 included the costs associated with 108 MLAs. The unexpected Assembly election in March 2017 saw a reduction in the number of MLAs to 90. In addition, the absence of Executive Ministers and a lower than anticipated utilisation of the budget for MLAs' staff costs meant that there has been excess budget provision for MLAs' costs for 2017/18 of approximately £3.754m.

Although the political situation meant that the timing of in-year Monitoring Rounds was not as intended during the year, £3.0m of this total was immediately identified to the DoF and returned at the first available opportunity. This reduced amount was then included in the NIAC's budget plans presented to Parliament by the Secretary of State for Northern Ireland in the absence of local budget arrangements. The remaining surplus over and above the £3.0m that was initially identified arose over the course of the financial year and was also highlighted and returned to DoF in subsequent Monitoring Rounds. Therefore, the agreed procedure for dealing with surplus funds that arise from an underspend on costs associated with MLAs has been implemented.

In terms of external reporting, as the categories of expenditure are below the level that is reported in Estimates and Voted by the Assembly or Westminster, there is no routine external reporting of the total costs incurred on MLAs' pay and allowances. However, in the NIAC's Annual Report and Accounts, an analysis is provided of deviations of actual expenditure from Voted amounts. This analysis typically shows how these deviations have arisen according to the different categories of expenditure (for example, NIAC staff salaries, NIAC admin costs, MLAs' salaries, etc.). In addition, details of all payments made to each MLA are reported for each year on the Assembly's website.

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

As noted above, this situation does not arise as any underspends on MLAs' costs are released back to the DoF. However, if a scenario arose whereby there was underspend on MLAs' costs but the NIAC required additional resources for its other activities, the NIAC would release the surplus funds available from MLAs' costs and seek additional resources through the in-year mechanisms set out in the Memorandum. This may involve further interaction with the Audit Committee.

How other parliaments, within the UK and more widely, budget for expenditure related to Members' pay and allowances?

I trust that the above analysis provides a useful reply to this question from the Northern Ireland perspective.

It is acknowledged that the Memorandum of Understanding on the NIAC Budget Setting Process that underpins much of the above analysis has only been in operation for one year and that the current financial year has not been a normal accounting period. However, the principle that an underspend on MLAs' costs should be released and not utilised by the NIAC has been applied this year and the NIAC has no cause to doubt that it will apply in the future. Similarly, should a future Determination require additional funds, the NIAC anticipates that those funds would be made available without recourse to the other funding streams that are managed by the NIAC.

I trust that this information is helpful to the Committee.

Yours sincerely



LESLEY HOGG

Clerk to the Assembly/Chief Executive

MEMORANDUM OF UNDERSTANDING ON THE NIAC BUDGET SETTING PROCESS

Appendix A

Preparation of Draft Budget:

Context

The Assembly Commission (the "Commission") prepares a draft budget for the period of the Executive's Budget as notified by the Department of Finance (DoF). This budget is established in advance of the timetable established by DoF for Executive Departments;

Key Milestones

- a. As part of the development of the Commission's draft budget, the Commission actively obtains data and projections from the DoF relating to the wider outlook for the Northern Ireland Block for the entirety of the budget period;
- b. The Commission, taking account of the DoF projections, proposes its draft budget and presents it to the Audit Committee. At the same time, the Commission also provides the draft budget figures to the DoF;

Interaction with Audit Committee:

Context

Via an agreed mechanism (e.g. Standing Orders) and in keeping with the Executive budgetary timetable, the Audit Committee lays a report on the Commission's draft budget;

Key Milestones

- a. In advance of laying that report, the Commission attends an Audit Committee meeting(s) to give evidence on its draft budget;
- b. In advance of laying that report, the Audit Committee receives written evidence from DoF (cleared in advance by the Finance Minister) on the wider outlook for the Northern Ireland Block and the DoF view of the Commission's draft budget. In considering the Commission's draft budget, the Committee should have due regard to the evidence provided by the DoF.
- c. Evidence to the Committee from the DoF shall be included in the Committee's report to the Assembly;
- d. The Committee prepares and lays its report;

MEMORANDUM OF UNDERSTANDING ON THE NIAC BUDGET SETTING PROCESS

Appendix A

Finalisation of Budget:

Context

The Commission prepares its final budget, taking on board the recommendations of the Audit Committee and submits a motion to the Business Committee;

Key Milestones

- a. The Assembly as a whole debates the final budget in Plenary before voting on the motion (without amendment) that it be *"agreed and incorporated into the Executive's Budget and the subsequent Main Estimates."*
- b. The vote of the Assembly in respect of the Commission's budget is reflected, without amendment, in the budget prepared by the Executive;

In-Year Amendments to Budget:

Context

On an in-year basis, financial controls are established that are aligned to the arrangements for setting the initial budget.

Key Milestones

- a. The Commission prepares and submits its contribution to Monitoring Rounds and the Spring Supplementary Estimate. The submission of the Commission's contribution to Monitoring Rounds and the Spring Supplementary Estimate will be subject to agreed thresholds between the Commission and the Committee. If these thresholds are not exceeded, the Commission will not seek the Audit Committee's view on its in-year position.

Review:

This methodology will be reviewed within one year of its first use and at the conclusion of every Executive budget setting period.

NIAC INTERNAL MANAGEMENT ACCOUNTS EXTRACT

Appendix B

Finance Report - December 2017

£000	Opening full year budget presented to Audit to Committee	Full Year budget reported to DoF in Dec-17 Monitoring	Current Month - Dec 2017			Year to Date			Full year Outturn Forecast	Variance of Outturn Forecast to Opening Full Year budget	Variance of Outturn Forecast to Dec-17 Full Year budget	Prior Year Outturn
			Actual	Budget	Var	Actual	Budget	Var				
Income	-	(152,080)	(12,458)	(12,428)	30	(103,815)	(104,259)	(443)	(152,080)	(152,080)	-	(69,096)
Secretariat Salaries	16,539,000	15,839,155	1,295,656	1,338,292	42,636	11,670,044	11,712,680	42,636	15,799,253	(739,747)	(39,902)	15,666,609
Admin costs	5,309,000	4,414,871	305,253	308,732	3,479	3,329,532	3,333,011	3,479	4,407,854	(901,146)	(7,017)	4,825,771
Members' Salaries	7,586,000	5,976,762	483,064	483,540	476	4,409,625	4,410,100	476	5,976,762	(1,609,238)	0	7,028,529
Members' Other Costs	110,221	87,328	2,043	2,223	180	80,417	80,597	180	87,328	(22,894)	-	1,589,647
Members' Travel	441,000	304,912	21,351	21,668	316	233,492	233,808	316	302,646	(138,354)	(2,266)	312,848
Constituency Costs (incl. staff)	7,572,000	5,588,933	453,826	475,822	21,996	4,221,916	4,243,911	21,996	5,588,933	(1,983,067)	0	6,158,714
Party Allowance	857,000	744,285	52,056	77,151	25,095	487,737	512,832	25,095	744,285	(112,715)	0	752,436
(Profit)/loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-	-	272,099
Total	38,414,221	32,804,166	2,600,793	2,695,000	94,207	24,328,947	24,422,680	93,734	32,754,982	(5,659,239)	(49,185)	36,537,557



**Independent Parliamentary
Standards Authority**
4th Floor
30 Millbank
London
SW1P 4DU

Simon Thomas AM
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

T 020 7811 6400
E info@theipsa.org.uk
W www.theipsa.org.uk

9 February 2018

Dear Mr Thomas

Inquiry on the Remuneration Board's Determination Underspend

The Independent Parliamentary Standards Authority (IPSA) is the statutory regulator responsible for determining the pay and pensions for UK Members of Parliament, as well as a scheme for the business costs and expenses which they can claim. IPSA was set up in 2009 to take on the role of regulating and administering business costs and expenses, which was previously carried out by the House of Commons. Our powers in relation to MPs' pay and pensions came into effect in 2011.

We understand that you are currently undertaking an inquiry to establish how the Assembly Commission forecasts its budget for Remuneration Board determinations, and as part of this how other parliaments budget for expenditure related to Members' pay and allowances.

The Office of the Clerk of the House of Commons have asked us to provide a response in respect of the areas that IPSA is responsible for. I am therefore attaching a short document which sets out the budget limits for MPs in different areas of expenditure, with information on how these figures were arrived at; as well as an explanation of how MPs' salaries and loss of office payments have been determined. I have also set out how these feed into IPSA's overall budget estimate.

I hope this is useful for the inquiry, but please do not hesitate to contact me if you require further or more detailed information.

Yours sincerely

Nicole Casey
Head of Policy and Assurance

CC John-Paul Flaherty, Private Secretary to the Clerk of the House of Commons

IPSA response to National Assembly for Wales Finance Committee Inquiry on the Remuneration Board's Determination Underspend

Scheme budget limits

Under the Parliamentary Standards Act 2009, IPSA has the power to prepare a scheme for MPs' allowances, which may impose limits on the amounts that are paid. We set budget limits for a number of areas of expenditure. MPs must normally stay within these limits; however in exceptional circumstances we can agree an uplift for an individual MP.

Below we have set out the budget limits for 2017/18 and an explanation of how they have been calculated. These are the basis for IPSA's budget for MPs' costs.

- **Accommodation (rent)**

Renting in London	Renting outside London
£22,760	£15,850

MPs from non-London constituencies can choose to rent a property in London, or in their constituencies. The London rental budget is based on the average cost of a one-bed property in the boroughs of Westminster and Lambeth, plus £3,000 for 'associated costs' (i.e. utilities and council tax). Previously, there were a number of bands for renting outside London, corresponding with different regions, but since 2017/18 they have been simplified and now all MPs can claim up to what was the highest band. This also includes a nominal £3,000 for associated costs.

- **Accommodation (associated costs only)**

London area MP	Non London area MP
£5,000	£5,000

MPs who do not need to rent because they own their homes can still claim for associated costs in either London or their constituencies. The limit was for several years set at £8,850, as a transitional amount from the period when MPs were able to claim for mortgage interest subsidies. However, from 2017-18 we used previous claims data over time to reduce this to an amount which more closely reflects what the vast majority of MPs actually claim in a year (£5,000).

- **Staffing costs**

London area MP	Non London area MP
£161,550	£150,900

The staffing costs budget covers primarily the salaries of MPs' staff members, as well as employers' contributions to National Insurance and pension schemes. It can also be used to cover incidental expenses for volunteers; one-off health and welfare costs such as eye tests; and other things related to employing staff. Staff can only be employed within certain job role categories and a corresponding salary range. In arriving at the budget figure, we assume four members of staff per MP – an Office Manager, a Senior Parliamentary Assistant and two

Caseworkers – and use the 60% mark of each salary range. These are totalled up and the on-costs added.

- **Office costs**

London area MP	Non London area MP
£26,850	£24,150

The office costs budget covers rental costs for MPs’ constituency offices, as well as equipment and stationery purchases, venue hire for surgeries and other costs that the MP judges are necessary for carrying out their role (and which are not covered by other budgets). Until 2011-12 there were two separate Constituency office rental expenses (CORE) and General Admin Expenditure (GAE) budgets. CORE and GAE were based on data of expenditure incurred by MPs which was provided to IPSA by the House of Commons, uprated for inflation. Afterwards, these two budgets were combined into a single office costs budget in order to provide greater flexibility for MPs. Since then, the limits have been uprated in line with inflation (for 2017-18 this was an increase of 1.6%).

- **Winding up costs**

London area MP	Non London area MP
£57,150	£53,950

MPs who leave Parliament – either because they stand down or lose an election – can continue to claim for costs for a further two months in order to wind up their affairs. These budget limits were originally based on an amount equivalent to three months of office and staffing costs, and have not changed since 2014/15. Most former MPs significantly underspend their winding up budget.

Salaries and loss of office payments

Our legislation also gives IPSA the power to set MPs’ salaries and other payments made in connection with an individual ceasing to be an MP (what we call ‘loss of office payments’). Information on these is set out below. These also feed into IPSA’s budget for MPs’ costs.

- **Basic salary**

All MPs receive a basic salary, provided they have taken the Oath. In 2015, after an extensive review spanning several years, we implemented a one-off increase to MPs’ salaries, to £74,000 per annum. At the same time, we indexed salaries to the average change in salaries across the public sector. In 2016/17 the salary was increased by 1.3% in line with this index, and in 2017/18 it was increased by 1.4%. It is currently £76,011.

- **London Area Living Payment**

MPs with a constituency in the London area receive a London Area Living Payment (LALP) on top of their basic salary. This additional sum recognises the higher cost of living and travelling in the London area. (However, they are not able to claim for accommodation costs or for commuting costs into Westminster.) Those MPs whose constituencies are in outer London receive an additional LALP amount, essentially to cover their higher travel costs. In 2017/18, the

LALP is £3,820 and additional LALP is £1,350. Previously these amounts had been stagnant (at £3,760 and £1,330) but were uplifted this year by inflation. The original amounts were based on recommendations made by the Senior Salaries Review Board in 2007, rated for inflation.

- **Additional salary for Committee Chairs**

MPs who are the Chair of a Select Committee or a Member of the Panel of Chairs receive an additional salary amount. In 2016 after a review this was set at £15,025 per annum for all relevant MPs. It is subject to the same annual adjustment as the base salary, in line with the average change in salaries across the public sector. In 2017/18 it was increased by 1.4% to £15,235.

- **Loss of office payments**

MPs who lose their seats at an election are entitled to a loss of office payment (LOOP), which is equivalent to twice their statutory redundancy entitlement. Because it is calculated based on the statutory entitlement, the amounts vary by individual depending on their age and length of service, and are only available to MPs who have completed at least two years of service. After the 2017 General Election, the amounts that former MPs were entitled to ranged from £1,956 to £29,340.

IPSA's budget estimate

Our approach to budgeting aims to be accurate and minimise underspends, whilst remaining prudent. Each year, IPSA produces a budget estimate which must be approved by the Speaker's Committee for IPSA (SCIPSA). The estimate covers MPs' costs, known as 'Subhead A', as well as IPSA's own costs, known as 'Subhead B'. This section is focused on how the estimate for Subhead A is produced.

With regard to MPs' costs subject to budget limits, we do not as a general rule assume 100% uptake by MPs. We use data from previous years to establish a reasonable assumption of the uptake in each area. This ensures that the money drawn from the Treasury over the course of the year is a closer approximation of the actual amounts spent. However, we do provide a 1% contingency in the budget to cover for any unexpected changes that could not be foreseen at the time of budget setting.

Arriving at a budget estimate for salaries and LALP is more straightforward as there are fixed numbers of relevant MPs. The exception is the additional salary for Committee Chairs, as the number can fluctuate during a year. We budget based on the number of relevant MPs at the time.

IPSA does not retain any money or carry forward unspent budget to subsequent years; all unused budget is sent back to HM Treasury. We also do not transfer monies between Subhead A and Subhead B.

Mr Simon Thomas AC
National Assembly for Wales
Chairperson of Finance Committee
Cardiff Bay
Cardiff
CF99 1NA

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



National Audit Office

Comptroller and Auditor General
Sir Amyas Morse KCB

Helping the nation spend wisely

Telephone +44 (0)20 7798 7777
Facsimile +44 (0)20 7798 7990
Email amyas.morse@nao.gsi.gov.uk

Simon Thomas AC
Chair, Finance Committee
National Assembly for Wales

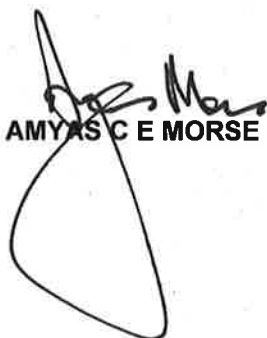
Date 19 February 2018

Dear Mr Thomas,

Thank you for your letter of 8 December. You invited me to provide written evidence to support an inquiry to establish how parliaments, such as the United Kingdom's, budget for expenditure related to Members' pay and allowances.

In the United Kingdom the remuneration of Members of Parliament is determined by the Independent Parliamentary Standards Authority (IPSA), which I audit under statute. I am aware that my technical team has enabled a member of your staff to make direct contact with IPSA, which is best placed to comment on the budgetary process for Member's pay and allowances.

I have no observations to make regarding the function of the National Assembly for Wales.


AMYAS C E MORSE