

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

31 January 2019

Dear Llyr

Directly funded bodies' annual budget proposals

I am writing in response to your letter dated 14 January 2019, where you state that you would welcome the Commission's views on the direction and guidance the Finance Committee issues to directly funded bodies in formulating future estimates.

The Commission is in agreement with the Committee's previous recommendation that, for the remaining years of this Assembly, increases in the Commission's budget should not be in excess of any changes to the Welsh Block Grant. The 2019-20 budget, laid in November 2018, reflected this requirement.

In our communication with your Committee in November 2018 we noted that:

*We propose that we continue to monitor the increase in the Welsh Block Grant and ensure that the Commission's **operational** budget increases in line with the Welsh Block Grant.*

*The **operational** budget includes revenue expenditure (staff and non-staff), capital expenditure and the new project fund.*



The operational budget excludes any non-cash amounts (pension finance costs (AME) and depreciation), and any Member or election related costs (including the Remuneration Board's Determination budget). These amounts are mainly outside the control of the Commission; with the AME budget set, based on advice provided by the Government's Actuaries Department (GAD) and the Determination Budget set by the independent Remuneration Board.

The Commission is currently in the early stages of constructing its 2020–21 budget and will again wish to be mindful of changes in the Welsh Block Grant. However, early conversations with Welsh Government (WG) officials have indicated that the estimates used during 2018, to establish the potential increase in the Welsh Block Grant, may not be available during 2019. Further consultation work with WG officials will be required during 2019 to establish an alternative reasonable estimate of the potential increase to the Welsh Block for 2020–21.

The Commission therefore agrees with the Committee in its assessment that ***“linking the budgets of directly funded bodies to the block grant increase will continue to be problematic”***.

If an estimate of the change in the Welsh Block Grant is not available, then the Commission will continue with the open and transparent approach adopted for its 2019–20 budget, in setting its 2020–21 budget. The Commission will also continue to use inflation projections (e.g. published HM Treasury deflator figures¹) as a reference point for the reasonableness of its operational budget.

Historically, the Commission sets its budget around its strategic goals, based upon the resources required to deliver its statutory duties, as I stated in an evidence session in your Committee on 5 October 2017:

“Our starting position is always the strategic goals of the Assembly, which you’ll remember from before: providing outstanding parliamentary support to engage with all the people of Wales and champion the Assembly, and, of course, to use

¹ <https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-december-2018-quarterly-national-accounts>



resources wisely. We're also mindful, of course, of the statutory duty of the Commission to provide staff, property and services to do the work that the Assembly has decided it wants to do".

In the event that a reasonable estimate of the increase to the Welsh Block Grant is not available, we believe that this process will provide reassurance to the Committee that the Commission will continue to construct its budget in a robust, transparent manner using published HM Treasury data as a reference point for increases in its **operational** budget. We note that the Committee, in October 2018, welcomed the changes made to the presentation of our 2019–20 budget document:

"The Committee firmly believes that the changes contribute to transparency in budgeting.

The Committee welcomes the approach taken by the Chief Executive since her appointment, and is particularly pleased with the openness shown by the Chief Executive and her willingness to work with the Committee".

The Commission is mindful of the pressures and cuts being faced by the wider public sector and has consistently demonstrated its commitment to efficiency, effectiveness and value for money, ensure it "uses resources wisely" one of its key strategic objective.

We will always consider returning any underspend on the overall Commission budget (as was done with a Determination budget underspend in December 2018), if we conclude that we are not able to make efficient, effective use of the available funds to deliver Commission priorities within the financial year.

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



Yours sincerely

Suzy Davies

Suzy Davies

cc Assembly Commissioners, Manon Antoniazzi, Nia Morgan

