

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

28 January 2020

Dear Llyr

I am writing to bring to the Committee's attention the Commission's proposed change to its approved 2019-20 budget through the Supplementary budget process. The Commission is proposing to

- increase the Annually Managed Expenditure (AME) budget by £0.15 million
- decrease the Remuneration Board's Determination budget by £0.500 million.

The AME Budget

The Commission's AME budget is for the non-cash accounting adjustment in respect of the future financial liability of the Assembly Members' Pension Scheme and is an accounting adjustment rather than a cash requirement.

The actual value of AME cannot be calculated until after 31 March 2020. The Commission therefore seeks a professional estimate of the year end value during the financial year. Actuarial advice received indicates that the liability could be £1.6 million which is above the budget figure of £1.5 million. Therefore, the Commission proposes to increase the AME Budget by £0.150 million. This will not impact on the cash requirement as this is a non-cash accounting adjustment.

The Remuneration Board's Determination Budget

The Remuneration Board's Determination budget for 2019-20 is set at £16.197 million. The December 2019 forecast for this budget line is £14.954 million, an underspend of £1.243 million.



Budget meetings with Members' Business Services (MBS) have indicated that there is a high likelihood of £500,000 of this remaining budget remaining unutilised.

It would not be considered prudent to reduce this budget line by £1.243 million due to the changes being introduced by the Remuneration Board during 2019-20 and the likelihood of unexpected items impacting on this budget e.g. death in service payments and late claims.

We are mindful of our commitment regarding any underspend against the Remuneration Board Determination budget in this and in future years. Accordingly, we are adopting the same principle as 2018-19 for the unutilised sum identified this year; we will not draw down the £500,000 and we present this supplementary budget to amend the original laid budget.

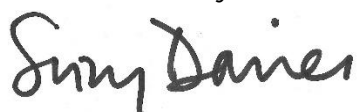
This underspend of £500,000 has already been recognised in the 2020-21 budget, where the Commission has increased the Determination vacancy provision (i.e. reduced the budget) by an additional £500,000.

The effect on the overall Commission budget for 2019-20 will be as shown in the table below:

| | Approved Budget £m | Proposed Supplementary Budget £m | Proposed revised Budget £m |
|-----------------|-----------------------|--|----------------------------------|
| Resource Budget | £40.291 | | £40.291 |
| Members' budget | £16.197 | -£0.500 | £15.697 |
| AME Budget | £1.500 | +£0.150 | £1.650 |
| Total | £57.988 | -£0.350 | £57.638 |

In accordance with Standing Order 20.32 the Commission will be laying an explanatory memorandum with this request. A copy of this document is attached for your convenience. If you need further information, please let me know.

Yours sincerely



Suzy Davies

cc Manon Antoniazzi, Nia Morgan

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



Supplementary Budget 2019-20: Explanatory Memorandum

February 2020



The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

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Supplementary Budget 2019-20: Explanatory Memorandum

February 2020



Croeso
i'r Senedd

—
Welcome
to the
Senedd

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1. Introduction

The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

The budget for the Assembly Commission is used to meet the running costs of the National Assembly for Wales and the costs of Assembly Members' Salaries and Allowances as determined by the independent Remuneration Board.

The Assembly Commission ("the Commission") serves the National Assembly for Wales ("the Assembly") to help facilitate its long-term success as a strong, accessible, inclusive and forward looking democratic institution and legislature that delivers effectively for the people of Wales.

Its function is to provide the National Assembly with the staff, property and services required to fulfil this role.

Assembly Members carry a significant responsibility and privilege representing the interests of Wales and its people, making laws for Wales, agreeing Welsh taxes and holding the Welsh Government to account. It is the Commission's role to provide high quality specialist staff and support services to ensure Members are fully equipped to undertake their scrutiny, legislative and representational roles and meet the expectations of the people of Wales.

The Commission's strategic goals for the Fifth Assembly are to:

- provide outstanding parliamentary support;
- engage with all the people of Wales and champion the Assembly;
- use resources wisely.

2. Background

The Commission's 2019-20 Budget was included in the Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 14 November 2018, following scrutiny by the Assembly's Finance Committee.

The budget motion provided the Commission with £57.023 million of Resource Budget in relation to:

- £39.326 million for Assembly services; and
- £16.197 million for the Remuneration Board's Determination for Assembly Members.

A further £1.500 million was provided for non-cash accounting adjustments in respect of the Assembly Members' Pension Scheme, through the Annually Managed Expenditure budget.

In line with Standing Order 20.32 an Explanatory Memorandum was laid, supporting a variation to the Commission's 2019-20 budget within the Supplementary Budget Motion (standing Order 20.30). The Supplementary Budget Motion was approved in Plenary on 9 July 2019 following scrutiny by the Assembly's Finance Committee.

This second Explanatory Memorandum is laid in compliance with Standing Order 20.32, in support of further changes to be proposed to the Commission's approved 2019-20 budget, via Supplementary Budget Motion.

2.1. Explanatory memorandum

The effect of the Commission's supplementary budget will be to increase Annually Managed Expenditure in line with projections and to decrease the Remuneration Board's Determination for Assembly Members in line with projections.

2.2. Annually Managed Expenditure (AME)

The Commission's AME budget is for the **non-cash** accounting adjustment in respect of the future financial liability of the Assembly Members' Pension Scheme. The purpose of this adjustment is to ensure a true and fair view of the Scheme liability is recorded in the balance sheet of the Commission; it does not reflect the monetary sums paid by the Commission into the Scheme. There is no associated cash requirement and making changes to it has no impact on the Commission Resource budget or service delivery.

The final value cannot be calculated until after 31 March 2020, but estimates are requested from professional advisors during the year. Based on calculations reflecting known changes to the discount rate and other variables which impact on the estimated liabilities of the scheme, the latest estimate is £1.600 million.

The Commission is therefore proposing a supplementary AME budget of £1.650million in order that there is sufficient contingency to manage any variation from the estimate in the final year-end figures.

2.3. Remuneration Board's Determination for Assembly Members

The Remuneration Board is the independent body that determines the pay and remuneration of Members and their staff and the system of financial support needed for Members to fulfil their responsibilities as elected representatives.

The Determination provides funds to cover the expenses associated with being a Member and / or an Office Holder, for example:

- running an office and engaging with constituents;
- salaries and travel expenses of the support staff;
- residential accommodation in Cardiff for Members whose home is a significant distance away (eligibility criteria apply); and
- support for the Party Groups and policy research.

The final costs cannot be calculated accurately until after 31 March 2020, with forecasts made during the year. Based on current expectations, mainly due to staff vacancies, not all of the funds budgeted for support staff salaries and other allowances are likely to be called upon.

The Commission is therefore proposing a supplementary budget for the Remuneration Board's Determination for Assembly Members of £15.697 million in order that there is sufficient contingency to manage any variation from the estimate in the final year-end figures.

2.4. Budget impact

The Supplementary Budget Motion proposes the following:

- an increase in the AME budget of £0.150million, to £1.650 million.
- a decrease in the Remuneration Board's Determination budget of £0.500million, to £15.697 million.

3. Budget Ambit

This supplementary budget submission is laid in compliance with National Assembly for Wales Standing Order 20.32 to assist in the compilation of the Budget Motion required by Section 126 of the Government of Wales Act 2006. This submission seeks to amend the resource and annually managed expenditure requirements of the Commission for the year ending 31 March 2020.

The Supplementary Budget Motion will authorise the net resources to be used for the services and purposes of Members and Assembly Services. The motion includes the maximum income (or accruing resources) that may be retained for use on those services and purposes instead of being paid into the Welsh Consolidated Fund. It will also set out the cash amount that will need to be issued from the Welsh Consolidated Fund to meet the anticipated net amounts falling due for payment by the Commission.

The amended 2019-20 Budget for the Commission, addressing these revised requirements, is set out in Table 1.

Table 1: 2019-20 Supplementary Budget for the Commission against requirements

| Assembly Commission requirements | 2019-20 £'000 |
|---|--------------------|
| <p>Resources other than accruing resources for use by the National Assembly for Wales Commission ("the Commission") on resource and capital costs associated with the administration and operation of services to support the National Assembly for Wales ("the Assembly"); promotion of the Assembly including payments to the Electoral Commission and others; payments in respect of the Commissioner for Standards and Remuneration Board; any other payments relating to functions of the Assembly or functions of the Commission.</p> <p>Resources other than accruing resources for use by the Commission in respect of decisions of the Remuneration Board and expenditure in respect of Assembly Members' Pension provision.</p> | £57,638 |
| <p>Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Commission from the disposal of fixed assets and other capital income for use on the purchase or acquisition of fixed assets, rental income, gifts, grants, cheques, recharges and income from commercial sales and other services provided to the public or others for use on administrative costs of the Assembly.</p> | £220 |
| <p>Amount to be issued from the Welsh Consolidated Fund to meet the anticipated amounts falling due for payment in the year in respect of the above services and purposes less expected retainable receipts and recoverable VAT.</p> | £54,088 Table 2 |

Table 2: Reconciliation of the new resource requirement to the cash drawing requirement from the Welsh Consolidated Fund

| Net Cash Requirement | 2019-20 £'000 |
|--|------------------|
| Members' net revenue requirement | £15,697 |
| Commission net revenue requirement | £39,791 |
| Net capital requirement | £500 |
| Annually Managed Expenditure | £1,650 |
| Subtotal | £57,638 |
| Adjustments | |
| Depreciation | (£2,250) |
| Movements in provisions | (£1,650) |
| Movement in debtors and creditors | £350 |
| Subtotal | (£3,550) |
| Net cash requirement from the Welsh Consolidated Fund | £54,088 |