

Peredur Owen Griffiths AS
Chair of Finance Committee
Welsh Parliament
Tŷ Hywel
Cardiff Bay
CF99 1SN

10 January 2022

Dear Peredur

I am writing to bring to the Committee's attention the Commission's proposed change to its approved 2021-22 budget through the Supplementary budget process. The Commission is proposing to decrease its resource budget by £1.2 million.

The Commission is proposing to

- decrease the Remuneration Board's Determination budget by £1.2 million
- decrease the election related budget by £0.5 million.

In the 2021-22 Commission Budget document, there was a commitment to return surplus funds within the post-election costs budget to the Welsh Consolidated fund. This is also the approach taken in previous years with surplus funds remaining within the Remuneration Board's Determination budget.

There continues to be pressure on the Commission's operational budget, particularly to fund staffing costs, however, no additional funds have been requested within this Supplementary Budget to address the increasing demand on Commission services. Currently the additional challenges brought about by e.g. the increased security threat and the pandemic, including the increase in hybrid working, are being managed within the constraints of the 2021-22 operational budget. This approach, however may not be sustainable in the longer term.



The 2022-23 budget document, scrutinised recently by your Committee, noted that the impact of the increase in National Insurance contributions was not reflected in the laid budget figures and that a supplementary budget may be required in 2022-23 to fund this additional cost. The Commission will always, in the first instance, look to fund additional expenditure from existing resources, however, with increasing staffing pressures and no contingency built into the 2022-23 budget, this may be not be possible during the next financial year.

Remuneration Board's Determination for Senedd Members



The Remuneration Board's Determination budget for 2021-22 is set at £16.819 million. The current forecast for this budget line is £15.332 million, an underspend of £1.487 million.



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Budget meetings with Members' Business Services (MBS) have indicated that there is a high likelihood that this amount of £1.487 million remaining unutilised.

It would not be considered prudent to reduce this budget line by £1.487 million due to ability of the Remuneration Board to make changes to the Determination during the remaining part of the financial year 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 in previous year for the unutilised sum identified this year; we will not draw down £1.200 million of the identified underspend and we present this supplementary budget to amend the original laid budget.

This underspend is mainly due to the budget reflecting two consecutive pay increases for Members of the Senedd which subsequently did not take place.

Election related expenditure

The election budget for 2021-22 is set at £2.600 million. The current forecast for this budget line is £1.936 million, an underspend of £0.664 million.

It would not be considered prudent to reduce this budget line by £0.664 million in case of any late items arising that could be associated with e.g. new members. We will not draw down £0.500 million of the identified underspend and we present this supplementary budget to amend the original laid budget.

The Commission is therefore proposing a Supplementary budget for its operational Budget of £41.695 million, no change on the original budget and is proposing a decrease of £1.7million in its budget for Member related expenditure. The effect on the overall Commission budget for 2021-22 is shown in the table below:

| | Approved Budget | Proposed Supplementary Budget | Proposed revised Budget |
|-----------------|-----------------|-------------------------------|-------------------------|
| Resource Budget | £41.695 | - | £41.695 |
| Members' budget | £16.819 | -£1.200 | £15.619 |
| Election Budget | £2.600 | -£0.500 | £2.100 |
| AME Budget | £1.800 | - | £1.800 |
| Total | £62.914 | -£1.700 | £61.214 |

In accordance with Standing Order 20.32, following your Committee's consideration of this request, the Commission will be laying an explanatory memorandum noting this Supplementary Budget



request. A copy of this explanatory memorandum is attached for your convenience. If you need further information, please let me know.

Yours sincerely

A handwritten signature in black ink, consisting of the name 'Ken' followed by a stylized, cursive signature.

Ken Skates MS

cc Manon Antoniazzi, Nia Morgan

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



Supplementary Budget 2021-22: Explanatory Memorandum

January 2022



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Supplementary Budget 2021-22: Explanatory Memorandum

January 2022





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1. Background

The Commission's **2021-22 Commission Budget** was included in the Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 11 November 2020, following scrutiny by the Senedd's Finance Committee.

The budget motion provided the Commission with £62.914 million of Resource Budget in relation to:

- £41.695 million for Senedd services;
- £16.819 million for the Remuneration Board's Determination for Members of the Senedd; and
- £2.600 million for election related costs.

A further £1.800million was provided for non-cash accounting adjustments in respect of the Members of the Senedd Pension Scheme, through the Annually Managed Expenditure budget.

This Explanatory Memorandum is laid in compliance with Standing Order 20.32, in support of changes to be proposed to the Commission's approved 2021-22 supplementary budget, via a Supplementary Budget Motion.

Explanatory memorandum

The effect of the Commission's supplementary budget will be to decrease the Remuneration Board's Determination budget and to also decrease the budget for election related costs.

In the **2021-22 Commission Budget** document, there was a commitment to return surplus funds within the post-election costs budget to the Welsh Consolidated fund. This is also the approach taken with surplus funds remaining within the Remuneration Board's Determination budget.

There continues to be pressure on the Commission's operational budget, particularly to fund staffing costs, however, no additional funds have been requested within this Explanatory Memorandum to address this increasing demand for Commission services. We continue to respond to the additional challenges brought about by e.g. the increased security threat and the pandemic, including the increase in hybrid working, within the constraints of the 2021-22 operational budget.

Remuneration Board's Determination for Senedd 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 2022, with forecasts made during the year. Based on current expectations, mainly due to staff vacancies and Senedd Members not receiving a pay award for two years, not all of the funds budgeted for 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 Senedd Members of £15.619 million, a reduction of £1.200 million. This does leave sufficient contingency to manage any variation from the estimate in the final year-end figures

Election related expenditure.

The election budget provides funds to cover the costs of terminating the office of those Members who are not returned after the election (by way of resettlement grant) and their support staff who will receive redundancy payments.

This budget is also used to provide ICT equipment (to new and returning members) and additional support to new incoming Members, meet the costs of the Official Opening and any accommodation changes that are required.

By including this as a distinct budget, the specific election related costs charged to the budget are transparent and easily identifiable. As noted in the **2021-22 Commission Budget** surplus funds, after all costs have been met will not be drawn from the Welsh Consolidated Fund. The Commission is therefore proposing a supplementary budget for the Election budget of £2.1 million, a reduction of £0.5 million.

Budget impact

The Supplementary Budget Motion proposes the following:

- A decrease in the Remuneration Board's Determination budget of £1.2 million, to £15.619 million.
- A decrease in the election related expenditure budget of £0.5 million, to £2.1 million.

2. Budget Ambit

This supplementary budget submission is laid in compliance with Senedd Standing Order 20 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 Senedd Commission for the year ending 31 March 2022.

The Supplementary Budget Motion authorises the net resources to be used for the services and purposes of Members and Senedd 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, and 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 2021-22 Budget for the Senedd Commission, addressing the revised requirements, is set out in Table 1 below.

| Table 1 | Revised £000 |
|--|-----------------|
| Resources other than accruing resources for use by the Senedd Commission (“the Commission”) on resource and capital costs associated with the administration and operation of services to support the Senedd; promotion of the Senedd 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 Senedd or the Commission. Resources other than accruing resources for use by the Commission in respect of decisions of the Remuneration Board and expenditure in respect of Members of the Senedd Pension provision. | 61,214 |
| Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Commission: <ul style="list-style-type: none"> ▪ from the disposal of fixed assets and other capital income for use on the purchase or acquisition of fixed assets; or ▪ rental income; gifts; grants; recharges and income from commercial sales and other services provided to the public or others for use on administrative costs of the Senedd. | 220 |
| 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. | 57,463 |

Table 2 below reconciles the net resource requirement to the cash drawing requirement from the Welsh Consolidated Fund.

| Table 2: Cash requirement | £'000 |
|--|----------------|
| | 2021-22 |
| | Revised |
| Members' net revenue requirement | 15,619 |
| Election related expenditure | 2,100 |
| Commission net revenue requirement | 41,195 |
| Net capital requirement | 500 |
| Annually Managed Expenditure | 1,800 |
| Subtotal | 61,214 |
| Adjustments | |
| Depreciation | (2,250) |
| Movements in provisions | (1,800) |
| Movement in debtors and creditors | 299 |
| Subtotal | (3,751) |
| Net cash requirement from the Welsh Consolidated Fund | 57,463 |