

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

7 November 2017

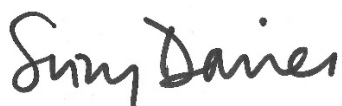
Dear Simon

Thank you for your committee's **Report on the Scrutiny of the Assembly Commission Draft Budget 2018–2019**, published on 20 October 2017. The Commission's response to the Finance Committee recommendations is detailed in the annex attached.

The Commission wishes to place on record that this Draft Budget for 2018–19 has been proposed in the context of the five-year budget strategy that had been previously presented, scrutinised and recommended.

I would like to thank the Committee for its scrutiny and I look forward to the debate on the Commission's budget motion next week. The Commission's approach is always to try to operate with openness, transparency and clarity, if there is any further information your Committee would like to have, 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



Finance Committee Recommendations

Recommendation 1. The budget requested for Assembly Commission Services for 2018–19 is 3.1 per cent, which is above both inflation and increases in the Welsh Block Grant. Given the continued and expected cuts across the public service in Wales and based on the indicative figures provided in the draft Budget documentation, the Committee recommends that in the remaining years of this Assembly, the Commission's budget should not be in excess of any changes to the Welsh Block Grant.

Agreed in principle.

The Commission will continue to consider the proportion of the Welsh Block Grant, or more specifically the total amount voted on by the Assembly, when preparing future operational budgets. In doing so we will need to be mindful of potential variation in the Welsh Block Grant as a result of new tax varying powers.

The Commission is required, under legislation, to ensure that sufficient funds are available to give effect to the Determination set by the independent Remuneration Board.

The Commission's budget also contains an accounting provision for the Members' Pension Scheme under the HM Treasury's Annually Managed Expenditure (AME) Heading. This is set by the actuary, the Government Actuary's Department (GAD).

Recommendation 2. The Committee recommends that the final budget is amended to remove the ring-fenced £700,000 requested to progress a planning application for a new building. It believes that should there be a need to progress this application, the Commission should request the funding via a supplementary budget, or budget for future years.

Agreed.

The Commission has a statutory responsibility to provide the necessary property, facilities and services required for the Assembly to effectively deliver its role in representing the interests of Wales and its people, making laws for Wales, agreeing Welsh taxes and holding the Welsh Government to account. The



Commission is also obliged by Order¹ to provide office accommodation in TŷHywel to the Welsh Government.

Therefore, the Commission's purpose has been to execute its statutory responsibility for these matters, by identifying the need for additional accommodation to ensure both the Assembly and the Welsh Government needs can be met over the long term.

Recommendation 3. Should the Commission choose to utilise the supplementary budget route to commence planning on a possible new building, the Committee recommends that prior to a supplementary budget motion being tabled, the Commission should submit the Explanatory Memorandum required by Standing Order 20.32 to the Committee for consideration prior to being laid. The Committee would expect to see detailed information as to why the new building is required in terms of the needs of the Commission and the Welsh Government, including statutory obligations, and how it would accommodate a possible increase in the number of Assembly Members.

Agreed.

In December 2017, the Commission will review proposals for submitting a planning application for a potential new building to meet the long term Assembly and Welsh Government accommodation needs. If the Commission agrees to progress with a planning application, then a Supplementary Budget would be required as soon as possible in order to minimise commercial risks.

The Commission would, as requested, submit an Explanatory Memorandum required by SO 20.32, to the Committee at the earliest opportunity. This Memorandum would provide details of the case for a new building and the work to be undertaken to prepare the planning application.

¹ National Assembly for Wales (Transfer of Property, Rights and Liabilities) Order 2007 (SI 2007/1269)



Recommendation 4. The Committee recommends that the Assembly Commission takes steps to ensure that its spending decisions are properly discussed with, and conveyed to, party groups.

Agreed.

A communication note is prepared after each Commission meeting for the purposes of feeding back to party groups. Commissioners would welcome suggestions from party groups about how to improve communication.

Recommendation 5. The Committee recommends that the Commission provides an in-year update (before the end of each calendar year) on likely Remuneration Board underspend along with any significant changes to planned projects to be funded using these underspends.

Agreed.

In March 2017 we wrote to the Committee, providing information on the projected underspend in relation to money drawn down to fund the Remuneration Board Determination and to show how this underspend was to be utilised by the Assembly Commission. We subsequently appeared before Finance Committee in June 2017, to discuss further the utilization of the Remuneration Board underspend.

However, we will be happy to provide the Committee with an update in December. Our 2017-18 Annual Report and Accounts document will also provide full details of our expenditure during this financial year.

Recommendation 6. The Committee recommends that the Commission gives consideration to the priorities associated with the Remuneration Board underspend to ensure that the priorities directly reflect services which provide support to Members.

Agreed.



It has always been and remains the case that the core purpose of the Commission is to prioritize the resourcing of services, staff and facilities in support of Assembly Members. The Commission's first strategic goal is to provide outstanding parliamentary support.

The priorities associated with the Remuneration Board underspend are shown on page 30 of the draft 2018–19 budget document. The Remuneration Board underspend contributes, but is not the sole source, of investment funds available to the Commission.

The priorities are items that, as with all Commission expenditure, provide support and services to Members. These include physical security, cyber security, essential maintenance of the Estate and improving engagement.

Recommendation 7. The Committee remains concerned as to the transparency associated with budgeting for forecasted underspends, however, it is recognised that there is a new Chief Executive and Clerk to the Assembly and the 2018/19 budget will be her first as Accounting Officer, as such the Committee recommends that serious consideration is given to how the budget is determined.

Agreed.

The Committee will be aware that, for the 2016–17 financial year, the Auditor General Wales issued an unqualified opinion on the Assembly Commission's financial statements and there were no issues raised in the Audit of Financial Statements Report or Management Letter completed by the WAO. The key financial systems, controls and procedures supporting the production of accounts were all found to be robust and accounting policies appropriately followed and applied.

The new Chief Executive, as Accounting Officer and IRB chair, has considered a number of alternative budget models and will continue to keep this matter under review. These were also considered in detail by the Commission and the current model was considered to be the most transparent, providing best use of public funds. We understand that the Committee has also taken advice from the Wales Audit Office on the budget model used by the Commission.



The draft 2018–19 budget document details the anticipated:

- operational underspends (including staffing vacancies)
- unutilised funds associated with the Determination of the Remuneration Board

The budget document also sets out the Commission's current expenditure priorities, if budget becomes available. (Page 30 of the 2018–19 draft budget document).

We will, of course, continue to review our budget setting process to ensure that it sets out clearly and transparently the funding needs of the Commission in order to deliver its statutory obligations as well as its strategic goals and priorities.

If subsequently there is a recommendation to change the current budget model, we would be happy to consider this and would wish to discuss the significant implications of doing so, with the Finance Committee.

Recommendation 8. The Committee recommends that the outcome of the Capacity Review currently being undertaken is provided as a paper to the Committee. At this stage the Committee would like to see details on the increase in staff numbers over the past 10 years, including details as to which services has an increased head count and the reasoning behind these increases.

Agreed.

The outcome of the Capacity Review will be communicated to the Committee once it has been completed.

The Capacity Review will include detail on which services have experienced an increase in FTE and the reasoning behind these increases

Recommendation 9. The Committee recommends that the Capacity Review is considered alongside a benchmarking exercise with other parliaments, including parliaments with a bilingual function.

Agreed.



The Capacity Review will include the results of our initial benchmarking discussions and it is likely that we will need a further period of time to analyse the results of this work to develop any detailed insight.

The outcome of the Capacity Review will be communicated to the Committee once it has been completed.

Recommendation 10. The Committee recommends that the number of full-time equivalent posts in the Assembly should remain static for the financial year 2018–19, to prevent additional increases in staffing resources and to allow the new Chief Executive and Clerk the opportunity to consider the outcome of the Capacity Review and how existing staff can be effectively utilised to meet the priorities of the Assembly and the Commission.

Noted.

In the present financial year, the agreed staffing establishment includes 460 filled posts, 27 currently vacant posts and 4 apprentice posts; thus the total number of established posts is 491.

Going forward, within this establishment ceiling, the Commission will endeavour to maintain effective levels of service in support of Members and public engagement.

The Full Time Equivalent (FTE) number, which is presented in the Annual Report and Accounts to conform to accounting requirements, is a different calculation, based on the actual number of staff employed, including part time staff, reduced working hours, maternity and secondment cover and job share. Thus, the FTE figure can change regularly through the year. At the end of September 2017 the FTE count was 457.1



The Commission is reviewing the staff establishment as part of the Capacity Review. This will inform discussions around the appropriate level of staffing required to meet the challenges being faced by the Assembly. The outcome of the Capacity Review will be communicated to the Committee once it has been completed.

Conclusion 1. The Committee intends to undertake a short inquiry to firmly establish how other parliaments, within the UK and more widely, budget for expenditure related to Members pay and allowances.

Noted.

