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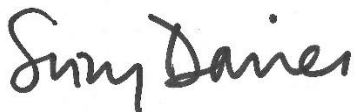
5 February 2017

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



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

