

Finance Committee

**Scrutiny of the Assembly
Commission Draft Budget 2017-18**

October 2016



National Assembly for Wales
Finance Committee

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Finance Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: **0300 200 6565**
Email: **SeneddFinance@assembly.wales**
Twitter: **@SeneddFinance**

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To carry out the functions of the responsible committee set out in Standing Order 19; the functions of the responsible committee set out in Standing Orders 18.10 and 18.11; and consider any other matter relating to the Welsh Consolidated Fund.

Current Committee membership:



Simon Thomas AM (Chair)
Plaid Cymru
Mid and West Wales



Mike Hedges AM
Welsh Labour
Swansea East



Steffan Lewis AM
Plaid Cymru
South Wales East



Eluned Morgan AM
Welsh Labour
Mid and West Wales



Nick Ramsay AM
Welsh Conservative
Monmouth



Mark Reckless AM
UKIP Wales
South Wales East



David Rees AM
Welsh Labour
Aberavon



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Recommendations

- Recommendation 1.** The Committee notes the detail in the 'National Assembly for Wales Draft Budget 2017-18' and subject to the comments and recommendations in this report supports the overall request for resource in 2017-18, and recommends the Assembly support this budget. 9
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01. Introduction

Background

1. The National Assembly for Wales' Standing Order 20.13 sets out that:

“Not later than 1 October in each financial year, a member of the Commission must lay before the Assembly a draft budget for the Commission setting out the amounts of resources and cash which the Commission proposes to use for the following financial year and provisional amounts for the subsequent two years or for such other period as the Commission has agreed with the Welsh Ministers.”¹

2. The Finance Committee (“the Committee”) is responsible for reporting on this draft budget. Standing Order 20.14 details that:

“The responsible committee’s report may recommend variations in the amounts proposed in the draft budget provided that the net effect of those variations would not increase the aggregate amounts of resources or cash proposed in the draft budget for the Commission.”²

The Assembly Commission budget

Historic increases in Assembly budgets

3. The Assembly Commission (“the Commission”) Final Budget 2012-13 included a three year investment programme of above inflationary increases agreed by the Finance Committee of the Fourth Assembly to support capacity building in relation to the devolution of additional powers for the Fourth Assembly, but that Committee highlighted an expectation that in 2015-16 and subsequent years any increase should not be in excess of any changes in the Welsh block.

Overall changes to the Assembly Commission draft budget 2017-18

4. Excluding ring-fenced and non-cash budgets, the Commission is requesting £49.9 million in the draft budget 2017-18, compared to £48.9 million in 2015-16, a cash increase of £1.0 million or 2.1%. Outside this funding estimate, Annually Managed Expenditure is budgeted at £1.2 million, a decrease of £300,000.³ Depreciation and amortisation charges are estimated as £2.6 million, £400,000 lower this year and there is no election related expenditure. The Commission’s proposed operational budget of £53.7 million includes:

- Commission Services budget, of £34.4 million, up on £33.5 million, an increase of 2.8%;⁴ and
- Budget for the **Remuneration Board’s Determination**⁵ for Assembly Members, of £15.5 million, an increase of 0.4% compared to the 2016-17 budget.

¹ [National Assembly for Wales, Standing Orders of the National Assembly for Wales, Standing Order 20.13](#)

² [National Assembly for Wales, Standing Orders of the National Assembly for Wales, Standing Order 20.14](#)

³ Last year’s budget included a £300,000 contingency for any additional accounting adjustments arising from pension scheme changes

⁴ The latest GDP deflators estimate for 2017-18, which are used to estimate real terms inflation, is 1.8%, as at March Budget 2016

⁵ [Remuneration Board’s Determination](#)

5. The Commission's request is above the latest estimate of the change to the Welsh Block for 2017-18, of 0.8% revenue or 0.7% total DEL.

Operating Budget	2016-17	2017-18	Changes 2016-17 to 2017-18	
	£000	£000	£000	%
Staff Resources	20,391	21,349	958	4.7%
Non-Staff Cost	13,079	13,064	-15	-0.1%
Subtotal	33,470	34,413	943	2.8%
Remuneration Board Determination	15,468	15,532	64	0.4%
Ring-fenced non-cash budgets				
Depreciation	3,000	2,600	-400	-13.3%
Annually managed expenditure	1,500	1,200	-300	-20.0%
Election related expenditure	2,500	-	-2'500	-100%
Subtotal	7,000	3,800	-3'200	-45.7%
Total Budget	55,938	53,745	-2'193	-3.9%

Table 1: Draft Budget 2017-18: High level⁶

6. The Committee considered the National Assembly for Wales Commission Draft Budget for 2017-18 at the meeting on 5 October 2016 and took evidence from:

- Claire Clancy, Chief Executive and Clerk of the Assembly;
- Suzy Davies AM, Commissioner for Budget and Governance;
- Nia Morgan, Director of Finance.

⁶ [Assembly Budget 2017-18 \(p3\)](#) plus research service calculations.

02. Priorities for the Fifth Assembly

7. The introduction to the budget document gives a description of key factors that will impact and steer the Commission over coming years:

“... two of the primary influences will be the new tax raising powers and extended legislative competence devolved by the Wales Bill currently before Parliament...”

Looking forward, the Commission believes a step change is needed in how we produce, manage and use Assembly business information in order for the Assembly to be regarded as a world class digital parliament that is open, inclusive and easy to engage with, leading to better laws and scrutiny. The Commission will be working to improve the way people engage with the Assembly and how services are delivered to Members. Many of these changes will mean we do things differently, rather than in a more costly way, but the process of transforming the basis on which we deliver so many of our services will involve some financial investment.”⁷

8. The draft budget continues to outline the Commission’s three strategic goals:

- To provide outstanding parliamentary support;
- To engage with all the people of Wales and champion the Assembly;
- To use resources wisely.⁸

9. In addition to the intended expenditure for 2017-18, the Commission has included indicative plans and financial requirements through to the end of the Fifth Assembly. However, the draft budget recognises that the “challenges of the Fifth Assembly are likely to become more complex”,⁹ and details the key issues as:

- Constitutional change;
- Implications of the outcome of the EU referendum to Wales and the work of the Assembly;
- Capacity - supporting members to respond to business demands;
- Changing digital world, public engagement and demands for greater transparency;
- Name Change of the Assembly.¹⁰

10. In evidence, Suzy Davies AM, Commissioner for Budget and Governance said that issues such as additional committee rooms to accommodate the two new Committees and accommodation for additional staff are two of the longer term factors.¹¹

11. Suzy Davies AM, continued:

⁷ National Assembly for Wales, Assembly Commission Draft Budget 2017-18, September 2016

⁸ ibid

⁹ ibid

¹⁰ ibid

¹¹ Finance Committee, Draft ROP, 5 October 2016 paragraph 149

“...we can use what we’ve heard in the past to try and identify what is likely to happen in the future ... any estimates we make are based on what we could expect based on what we’ve had before. I think that’s probably the best way to put it. And in order to identify the demands of what we need to spend within our likely settlement, obviously we look at what we already know and we look at some implications that are probably easy to identify, so, for example, for Brexit, we are going to need some additional legal capacity ... But beyond that, you are right, it is a little bit difficult to imagine where we’re going to be in four years’ time.”¹²

Committee View

12. In considering the Commission’s draft Budget for 2017-18 the Committee recognises that there is considerable uncertainty on funding available both for 2017-18 and subsequent years. The **UK March budget** highlighted £3.5bn cuts to public spending by 2019-20,¹³ whilst the impact of the Brexit vote on UK spending policy is currently unknown, and will remain unclear, at least, until the Autumn Statement, due on 23 November, is announced.

13. It is also clear that Brexit will have wider implications going forward, however, at this stage it is difficult to estimate how much of an impact this will have on the Assembly Commission. In addition the Committee recognises that there are other uncertainties, such as the timing and impact of the changes arising from the Wales Bill. Furthermore, there is no separate costed investment plan included in the draft budget.

Conclusion 1. Whilst it is useful to have an indication of the Commission’s indicative spending for the next four years, the Committee believe, due to the current uncertainty in many areas, it would be inappropriate to provide a comment on the spending plans beyond 2017-18.

Recommendation 1. The Committee notes the detail in the ‘National Assembly for Wales Draft Budget 2017-18’ and subject to the comments and recommendations in this report supports the overall request for resource in 2017-18, and recommends the Assembly support this budget.

¹² Finance Committee, Draft ROP, 5 October 2016 paragraph 161-162

¹³ **UK March budget**

03. Resources

14. It can be seen from Table 1 on page 7 that the majority of the £1 million increase requested by the Assembly Commission is due to a £958,000 increase in staff resource.

15. The budget 2017-18 provides for 446 posts. The draft budget states that the key areas where they would expect to see staff increases are, Assembly Business Directorate (committee, communications, digital media and legislative support), translation and reporting, and security. It is assumed that there will be a “modest growth in staffing numbers during the Fifth Assembly”.¹⁴

16. The draft budget states that “a budget strategy that modestly increases the Commission’s overall resourcing levels will be needed if the Commission is to maintain the delivery of excellent services to Assembly Members”.¹⁵

17. In evidence the Commission recognised that staff increases would be needed, Suzy Davies AM said:

“...we also know that we’re going to need additional staff in order to meet particular strategic aims like improved bilingualism within the culture of the whole of the Assembly, as well as specific support for Members. So, for example, we’ve got two extra committees in this Assembly, and, inevitably, that’s going to need additional support, even if that’s through integrated teams, as well as specialist support for those committees.”¹⁶

18. Referring to the capacity planning which is currently taking place, Claire Clancy said:

“...those additional responsibilities of the Assembly are reflected in the capacity planning work that we’re looking at next week, and so further increases—we’re expecting to agree to the committee teams and also to the Research Service in particular. So, the main blocks of what we’re going to be contemplating are to do with support to the committee services, particularly for new responsibilities and the two additional committees, and the outcome of the EU referendum—and the security service and communications. They’re the three areas where we would expect to see, in our terms, fairly significant growth in the next couple of years.”¹⁷

Committee view

19. The Committee recognises that the Commission’s priorities for the Fifth Assembly, along with the additional committees and changes resulting from the Wales Bill are likely to necessitate additional staff. However, the draft budget provides no specific details as to where the additional investment of £958,000 in 2017-18 will be directed in relation to staff increases.

20. During scrutiny it was clear that the Chief Executive was undertaking capacity planning with her management team and was considering substantial bids for additional staffing to support public engagement, bilingual working and to support the creation of additional committees. However, the

¹⁴ National Assembly for Wales, *Assembly Commission Draft Budget 2017-18, September 2016*

¹⁵ *ibid*

¹⁶ Finance Committee, Draft ROP, 5 October 2016 paragraph 147

¹⁷ Finance Committee, Draft ROP, 5 October 2016 paragraph 378

Committee was concerned that significant additional funding was being requested in the budget without a firm breakdown of which areas these resources are proposed to be placed.

21. The Committee also noted that a new Chief Executive would be appointed around the start of the next financial year. The new Chief Executive will follow the strategic direction of the existing Commissioners and work within the agreed budget. Whilst accepting that it is for the Chief Executive to make decisions regarding the staffing arrangements within the Assembly Commission, the Committee believe this substantial increase in staffing, at this early stage, and prior to the appointment of a new Chief Executive requires a degree of scrutiny. The Committee would also question, in view of the upcoming appointment of a new Chief Executive, whether these extensive funding decisions are finalised for the lesser-priority areas prior to this appointment.

Recommendation 2. The Committee recognises the need for additional resources to support the Fifth Assembly priorities going forward, however, to ensure transparency and offer clarity, it is recommended that an update on how this resource allocation has been used is provided to the Committee following the detailed capacity planning exercise.

04. Remuneration Board determinations

22. Chapter eight of the draft Budget provides details in relation to the Remuneration Board’s Determination. During evidence the Commission confirmed that the draft budget requests the full amount required should all Members claim their full entitlement.

23. The issue of underspend in respect of the Remuneration Board’s decisions has been raised by both the Fourth Assembly Finance Committee and the current Public Accounts Committee. During scrutiny of the 2016-17 Assembly budget, the then **Finance Committee recommended**¹⁸ that the Commission provide clarity as to what happens to the funds which are not accessed by Assembly Members in relation to the Remuneration Board’s determination.

24. The 2015-16 accounts of the Assembly Commission show that there was underspend of over £1 million in Resources in respect of Remuneration Board decisions (Members’ salaries allowances and related costs).

25. Table 2 shows the underspends in Resources in respect of Remuneration Board decisions in the Fourth Assembly:

	£000’s				
	2011-12	2012-13	2013-14	2014-15	2015-16
Budget compared to outturn	881	562	439	775	1,047

Table 2: Assembly Commission Annual reports and Accounts 2011-12 to 2015-16¹⁹

26. In relation to how this underspend is utilised, Suzy Davies AM said:

“...the way that our budget process works is that there’s a foreseeable underspend—even though we’re not entirely sure how much underspend there will be from the remuneration board—and then that is spent in accordance with the priorities of the Commission—its strategic goals that I mentioned earlier. The individual types of spend are then not only run through the individual management teams, but through the investment and resources board that I mentioned earlier. So, with any underspend or identifiable underspend, we will go to the investment and resources board and say, ‘Look, this is what we need in order to meet our strategic goals. We’re pretty sure we’ve got this money. These are our priorities for spending it. Will you sign that off?’”²⁰

27. Claire Clancy explained that how the underspend is spent can be identified through the Commission’s Annual Report and Accounts, she said:

“... the transparency comes then through the publication of where the spend actually takes place in the annual report and accounts. So, you can then track through as to what was spent in practice on the remuneration board’s determination and where the other spend occurred. So, there is complete transparency on what’s happening to the money and anybody who wants to

¹⁸ [Scrutiny of Assembly Commission Draft Budget 2016-2017](#)

¹⁹ [Assembly Commission Annual reports and Accounts 2011-12 to 2015-16](#)

²⁰ Finance Committee, Draft ROP, 5 October 2016, paragraph 264

can assess it against whether it was used to meet the Commission's strategic goals."²¹

Committee View

28. The Committee recognises that the Commission needs to budget for the full amount that can be claimed by Members. However, the Committee agrees with the points raised by the previous Finance Committee and the Public Accounts Committee, and believes there should be more clarity over the underspend relating to the money drawn down in respect of the Remuneration Board's determination .

Recommendation 3. The Committee recommends that the Assembly Commission provides an update shortly before the end of the financial year, detailing the projected underspend in relation to money drawn down to fund the Remuneration Board's determination and justify how this underspend is being utilised by the Assembly Commission.

²¹ Finance Committee, Draft ROP, 5 October 2016, paragraph 265

05. Information Communication technology

29. The draft budget details that during the Fourth Assembly resource was targeted to bring the ICT service for the Commission in-house, this transition programme was completed in July 2014. Additionally, the draft budget details that the equipment in the Siambur was upgraded in time for the Fifth Assembly.

30. The draft budget details that the priorities for the Fifth Assembly are to ensure that the ICT infrastructure becomes more resistant to failure and offers greater flexibility through use of “cloud services”, to enable services to be accessed regardless of location or device used.

31. In a letter to the Public Accounts Committee it is stated that the aim in relation to information technology is “to transform the way we produce, use and make available all Assembly information and the services around it, with a firm focus on what our customers need from us - connecting and engaging all the people of Wales with trusted parliamentary information whenever, however and wherever they choose”.²²

32. In evidence Suzy Davies referred to a rolling programme of ICT changes,²³ and this was followed up by a note which detailed ICT expenditure:

“Investment in ICT focusses enabling users to work in a more agile and flexible way which includes making more use of ‘Cloud services’. Investment is also focussed on enabling service improvements and efficiencies through the application of technology as well as improving access to and usability of Assembly information.”²⁴

33. The note also provided additional detail around the broadcasting budget increase in 2017-18 and reduction in 2018-19, which specifies that the increase is due to funding the provision of sign language for First Minister’s questions, the note says:

“The increase in the broadcasting budget for 2017-18, reflects the agreement to continue this [the provision of sign language for First Minister’s questions] for a period of 2 years at which time the provision will be reviewed.”²⁵

Committee View

34. Members noted the success of the programme to bring ICT services in-house and would commend the Commission on this. However, the Committee is concerned regarding the lack of clarity around ICT costs going forward.

35. The Committee is also concerned that the Commission does not include indicative costs for the provision of sign language to accompany First Minister’s questions beyond 2017-18 and questions why the Commission do not make indicative provision for this service to continue. It is hard to establish whether the Commission intend to stop funding this provision, or if they wish it to continue why this isn’t included in the indicative costs going forward.

²² [Letter to the Public Accounts Committee – 21 January 2016](#)

²³ Finance Committee, Draft ROP, 5 October 2016, paragraph 173

²⁴ [Note to the Committee from the Commission](#)

²⁵ *ibid*

Recommendation 4. The Committee recommends that in relation to the costs associated with ICT investment projects detailed costings are included within the draft budget in future years.

Annex 1 – List of oral evidence sessions

The following witnesses provided oral evidence to the Committee on the dates noted below. A [transcript](#) of the oral evidence session can be viewed on the Committee’s website.

Date	Name and Organisation
5 October 2016	Suzy Davis AM, Commissioner for Budget and Governance Claire Clancy, Chief Executive and Clerk for the Assembly Nia Morgan, Director of Finance