

Llyr Gruffydd AS
Chair of Finance Committee
Welsh Parliament
Tŷ Hywel
Cardiff Bay
CF99 1SN

13 January 2021

Dear Llyr

I am writing to bring to the Committee's attention the Commission's proposed change to its approved 2020-21 budget through the Supplementary budget process. The Commission is proposing to increase its resource budget by £1.05 million. There is no proposed change to its 2020-21 net cash requirement.

The Commission is proposing to

- increase the Annually Managed Expenditure (AME) budget by £0.4 million
- increase its operational budget (provision for accrued annual leave) by £0.65 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 Members of the Senedd Pension Scheme and is an accounting adjustment rather than a cash requirement.

The actual value of AME cannot be calculated until after 31 March 2021. 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 £1.93 million which is above the budget figure of £1.6 million. Therefore, the Commission proposes to increase the AME Budget by £0.4 million. This will not impact on the cash requirement as this is a non-cash accounting adjustment.



Provision for accrued annual leave

As I noted in my letters to your Committee, dated 7 July 2020 and 4 November 2020, on the financial implications of the COVID-19 pandemic, International Accounting Standard (IAS) 19 - Employee Benefits requires the Commission to accrue for the cost of any unused leave entitlement accrued by Commission staff at 31 March in each financial year.



I highlighted in my letters and during our recent scrutiny session on the 2021-22 budget, that we were anticipating an increase in the provision for accrued annual leave. I noted that this increase would



Senedd Cymru
Bae Caerdydd, Caerdydd, CF99 1SN

 Cysylltu@senedd.cymru
 0300 200 6565

Welsh Parliament
Cardiff Bay, Cardiff, CF99 1SN

 Contact@senedd.wales
 0300 200 6565

probably necessitate a supplementary budget later in this financial year. I reassured your Committee that, although the increase would be significant, there would be no additional cash requirement.

The increase in the provision has been estimated to be £0.65 million. It is inherently difficult to calculate this provision, with each member of staff having a different annual leave year-end. The increase, as I highlighted in October, is as a result of staff working very hard during this period, with limited opportunities to take leave. The increase is also due to the assumption that these conditions will continue until at least the end of the financial year. You recognised that we are currently in unprecedented and uncertain times.

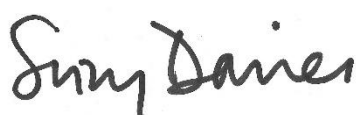
I would like to reassure the Committee that we have made it clear throughout this period that we do expect staff to take leave. This is not only a financial issue, but one impacting on staff well being, health and safety. We continue to look at different ways to ensure staff have the opportunity to take leave.

The Commission is therefore proposing a Supplementary budget for its operational Budget of £41.953 million, an increase from £41.303 million. There is no impact on the cash requirement. The effect on the overall Commission budget for 2020-21 is shown in the table below:

	Approved Budget	Proposed Supplementary Budget	Proposed revised Budget
Resource Budget	£41.303	£0.650	£41.953
Members' budget	£16.172	-	£16.172
Election Budget	£0.500	-	£0.500
AME Budget	£1.600	£0.400	£2.000
Total	£59.575	£1.050	£60.625

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



Suzy Davies

cc Manon Antoniazzi, Nia Morgan

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



Second Supplementary Budget 2020-21: Explanatory Memorandum

January 2021



The Welsh Parliament is the democratically elected body that represents the interests of Wales and its people. Commonly known as the Senedd, it makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

An electronic copy of this document can be found on the Senedd website:
www.senedd.wales

Copies of this document can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

Welsh Parliament
Cardiff Bay
CF99 1SN

Tel: **0300 200 6565**
Email: **Contact@senedd.wales**
Twitter: **[@SeneddWales](https://twitter.com/SeneddWales)**

© **Senedd Commission Copyright 2020**

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the Senedd Commission and the title of the document specified.

Second Supplementary Budget 2020-21: Explanatory Memorandum

January 2021



Croeso
i'r Senedd
—
Welcome
to the
Senedd

The image shows a close-up of a glass display case containing a sign. The sign is printed with the Welsh phrase 'Croeso i'r Senedd' and the English phrase 'Welcome to the Senedd', separated by a horizontal line. The sign is mounted on a glass surface with a metal fastener on the left. The background is a wooden wall with a vertical slat pattern and a blue structural beam.

Contents

1	Background	7
1.1.	Explanatory memorandum.....	7
1.2.	Annually Managed Expenditure (AME)	7
1.3.	Provision for accrued annual leave.	8
1.4.	Budget impact.....	9
2	Budget Ambit	10



1 Background

The Commission's **2020-21 Budget** was included in the Annual Budget Motion under Standing Order 20.26 and was approved in Plenary on 13 November 2019, following scrutiny by the Senedd's Finance Committee.

The budget motion provided the Commission with £61.411 million of Resource Budget in relation to:

- £43.139 million for Senedd services;
- £16.172million for the Remuneration Board's Determination for Members of the Senedd; and
- £0.500 million for election related costs.

A further £1.600million was provided for non-cash accounting adjustments in respect of the Members of the Senedd 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 2020-21 budget within the Supplementary Budget Motion (standing Order 20.30). The Supplementary Budget Motion was approved in Plenary on 24 June 2020 following scrutiny by the Senedd's Finance Committee.

This second Explanatory Memorandum is laid in compliance with Standing Order 20.32, in support of changes to be proposed to the Commission's approved 2020-21 supplementary budget, via a second Supplementary Budget Motion.

1.1. Explanatory memorandum

The effect of the Commission's supplementary budget will be to increase Annually Managed Expenditure in line with projections and to increase the Commission's operational budget to reflect the increase in the provision for accrued annual leave for Commission Staff.

1.2. 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 Members of the Senedd Pension Scheme. The purpose of this adjustment is to ensure a true and fair view of the Scheme liability is recorded in the statement of financial position 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 2021, 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 £1.93 million.

The Commission is therefore proposing a supplementary AME budget of £2.0 million in order that there is sufficient contingency to manage any variation from the estimate in the final year-end figures.

1.3. Provision for accrued annual leave.

International Accounting Standard (IAS) 19 - Employee Benefits requires the Commission to measure the unused leave entitlement of staff at the end of the accounting period and adjust its financial statements accordingly.

During the first half of 2020-21, there has been a marked decrease (compared to prior years) in the number of days of annual leave requested by Commission staff. This is as a result of increased work pressures and a lack of opportunity to take leave.

It is anticipated that the provision required for accrued annual leave will continue to increase as staff accrue additional annual leave entitlement by 31 March 2021. The opportunities for taking leave until 31 March 2021 remain limited with the continued increase in Senedd business (Covid-19 and the UK's exit from the EU) and the transition to the Sixth Senedd placing additional demands on Commission staff.

This increase in the provision was not anticipated at the time of laying the 2020-21 budget. The provision is currently £0.8 million (31 March 2020), which represents an average of 6.88 days of annual leave accrued and 2 days of flexible leave. Scenario planning indicates that accrued leave balances could increase to an average of 13 days and 2 days of flexible leave. This would increase the required provision to £1.45 million, an increase of £0.65 million.

This increase in the provision of £0.65 million is an accounting adjustment and does not require an increase in the Commission's net cash requirement.

1.4. Budget impact

The Supplementary Budget Motion proposes the following:

- An increase in the AME budget of £0.4 million, to £2.0 million;
- An increase in the Commission's operational revenue budget of £0.65 million to £41.453 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 2021.

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 2020-21 Budget for the Senedd Commission, addressing the revised requirements, is set out in Table 1 below.

Table 1	Revised £000
<p>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.</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 Members of the Senedd Pension provision.</p>	60,625
<p>Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Commission:</p> <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
<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>	56,075

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

Table 2: Cash requirement	£'000 2020-21 Revised
Members' net revenue requirement	16,172
Election related expenditure	500
Commission net revenue requirement	41,453
Net capital requirement	500
Annually Managed Expenditure	2,000
Subtotal	60,625
Adjustments	
Depreciation	(2,250)
Movements in provisions	(2,000)
Movement in debtors and creditors	(300)
Subtotal	(4,550)
Net cash requirement from the Welsh Consolidated Fund	56,075