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Chair of Finance Committee
Senedd Cymru
Tŷ Hywel
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21 November 2022

Dear Chair

The Senedd Finance Committee has kindly provided constructive scrutiny of the 2023-24 Commission Budget in recent months. Following your recommendations and our acceptance of them, the 2023-24 Commission Budget was laid on 9 November 2022 and will be debated in plenary on Wednesday 23 November.

However, in light of events that have occurred during the course of the Budget setting and scrutiny process, I must bring to your attention several important and significant points that I intend raising in the Siambr on Wednesday.

To recap, the 2023-24 Draft Commission budget was laid on 28 September, scrutinised on 5 October and the Finance Committee's report was published on the 21 October 2022. To meet the requirement of Standing Orders, to lay the Commission draft budget by 1 October, work to prepare and develop the budget was carried out during the Summer term and finalised in August 2022.

In parallel to the above timeline, unprecedented political and economic events have meant that the resulting budget has been overtaken by the emergence of a new reality regarding public finances.

The Committee published its [Statement of Principles](#) in 2019. The Committee expects the Commission, and other Directly Funded Bodies, to consider these principles when preparing its annual budget proposals. Fundamentally the Statement of Principles request that budgets should be set in the context of the long term financial funding situation in Wales and funding pressures in the wider public sector.



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Although it is too early to assess the full impact on the Welsh public purse of the UK Government's Autumn Statement, we note the increase of £1.2 Bn in the Welsh Block over the next two years. The increase of 4.6% in resource funding between 2022-23 and 2023-24 (from 15.2 Bn to £15.9 Bn)* is however below inflation and this may impact significantly on the Welsh Government's ability to support the most vulnerable in society and secure the short-term future of the vital public services on which we all rely.

The Commission now considers that its 2023-24 4% budget increase request may require revision to reflect the additional pressures now likely to be felt across the wider public sector in Wales.

As you are aware, the Senedd's Standing Orders require the Commission to have an approved budget agreed by the Senedd by 27 November, and so we simply cannot amend the budget and ensure effective scrutiny by this date.

A departure from the normal process is therefore required to address these unprecedented circumstances.

Consequently, I propose that the budget to be debated on Wednesday remains unchanged, but in a departure from normal procedures I will commit to an in-year review by the Commission, as a responsible public body, to find savings and accelerate efficiencies. This will reflect the reality we face today, rather than that which existed during the Budget setting process over the summer.

This is an exercise in responsible and agile pragmatism.

We had already committed to carry out this work in time to incorporate into the 2024-25 budget, but I am now proposing work is brought forward and at a faster pace. This is in line with the Statement of Principles which states that Directly Funded Bodies should continually seek to improve processes and accrue efficiencies.

We are determined to ensure that any planned activities and services to Members are both efficient and sustainable. It is important to us therefore that any reductions are conducted effectively and continues to support our commitment to effective workforce planning and wellbeing. This however will not be an easy task and will impact on Members.

I envisage two types of changes or savings:

The first will be to make cuts in areas where expenditure has not yet been irrevocably committed, including a significant reduction to the Project Fund. This fund is set at £1.5 million. Estates and ICT service areas have forward work programmes and these are prioritised in-year, depending on



their strategic and statutory importance and considering other in-year pressures. This is one area of the Commission's budget where the expenditure is not committed at the start of the year.

A reduction of around £600k to this project fund would mean a delay to the start of these projects and all future projects, risking additional overall project costs in the long run and a regretful delay in decarbonisation measures your committee Members have been so supportive of. However, a cut of this magnitude would reduce the overall budget by around 1%.

The second category of savings concern the ways of working that many have returned to post-Covid and which would have a significantly greater impact on Members and staff. For example, one of the largest increases seen in the 2023-24 budget to be debated on Wednesday is in utilities. The budget documents an increase from £582k in 2022-23 to an estimated £1.251 million cost in 2023-24.

An increase of this magnitude will be difficult for the Commission to absorb, as it has very little discretionary spend and because we have already introduced zonal heating systems and reduced temperatures by turning down the thermostats across the estate. Consideration will therefore be given as to how to further reduce energy use. Closure of the estate for short or extended periods will be amongst the options to be considered. I will also be considering price increases for Member privileges, such as the reintroduction of charges for secure parking as well as other revenue raising measures that may regretfully be unpopular with Members, but necessary given the state of public finances. Any such charges for Members' staff and other employees would guarantee fairness for those on lower incomes through mechanisms such as a sliding scale of costs and exemptions for out of hours staff (security and cleaners).

I must stress again that if we are to achieve the savings likely to be required for the Senedd Commission's budget to mirror changes to inflation and the Block Grant, we will be required to take extremely difficult decisions. Protecting the mental health and wellbeing of staff, maintaining the highest standards of security and cyber security, and engaging our most hard to reach communities will be our priorities during forthcoming considerations. Therefore, I can confirm that pay and conditions for employees will be protected. We will not, at any cost, consider redundancies as a cost saving measure and we will not compromise in our determination to help our valued workforce realise improved wellbeing.

We hope that Welsh Government and other public bodies will follow our responsible principles in the weeks to come, as savings are sought to adapt to the more severe economic landscape that has very recently formed.



If you require further information before Wednesday's debate please do not hesitate to let me know.

Yours sincerely

A handwritten signature in black ink, consisting of the name 'Ken' followed by a stylized, cursive monogram that appears to be 'KS'.

Ken Skates MS

cc Senedd Commissioners, Manon Antoniazzi, Nia Morgan, Party Leaders, PAPAC Chair, Party Group Chairs.

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

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