

# Scrutiny of the Assembly Commission's Draft Budget 2019-20

October 2018



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# **Scrutiny of the Assembly Commission's Draft Budget 2019-20**

October 2018



# About the Committee

The Committee was established on 22 June 2016. Its remit can be found at:  
[www.assembly.wales/SeneddFinance](http://www.assembly.wales/SeneddFinance)

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Current Committee membership:



**Neil Hamilton AM**  
UKIP Wales  
Mid and West Wales



**Mike Hedges AM**  
Welsh Labour  
Swansea East



**Jane Hutt AM**  
Welsh Labour  
Vale of Glamorgan



**Steffan Lewis AM**  
Plaid Cymru  
South Wales East



**Nick Ramsay AM**  
Welsh Conservatives  
Monmouth



**David Rees AM**  
Welsh Labour  
Aberavon

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The following Member attended as a substitute during this inquiry:



**Llyr Gruffydd AM**  
Plaid Cymru  
North Wales

The following Member attended during the course of this inquiry, in accordance with Standing Order 17.49:



**Helen Mary Jones AM**  
Plaid Cymru  
Mid and West Wales

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# 1. Introduction

## Background

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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.”<sup>1</sup>

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.”<sup>2</sup>

3. The Committee considered the **National Assembly for Wales Commission Draft Budget for 2019-20** at its meeting on 3 October 2018 and took evidence from:

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

4. Following the evidence session, on 16 October the Commission **wrote to the Committee** with further information on some of the issues raised during the evidence session.

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<sup>1</sup> Standing Orders of the National Assembly for Wales, SO 20.13, October 2018

<sup>2</sup> Standing Orders of the National Assembly for Wales, SO 20.14, October 2018

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## 2. Assembly Commission Budget

**5.** The Assembly Commission's (the Commission) Final Budget 2012-13<sup>3</sup> included a three year investment programme of above inflationary increases to support capacity building in relation to the devolution of additional powers. The fourth Assembly Finance 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.<sup>4</sup>

**6.** In its report on the draft Budget 2018-19, the Committee was concerned by the budget request being above both inflation and increases in the Welsh Block Grant and recommended:

“...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.”<sup>5</sup>

**7.** The change from utilising the Remuneration Board's underspend to the inclusion of a project fund has resulted in a change to the way year-on-year comparisons are presented. The Commission presents the budget as a 1.66 per cent increase in operational budget and a 1.67 per cent increase in the overall budget, in line with the Commissions expectation of a 1.67 per cent increase in the Welsh block.

**8.** Excluding ring-fenced and non-cash budgets, the Commission is requesting £53.3 million in the draft Budget 2019-20, compared to the approved budget of £51.7 million in 2018-19. This is a cash increase of £1.6 million or 3.1 per cent. Ring fenced and non-cash expenditure is budgeted to decrease by £650,000. Table 1 shows the high level draft Budget allocations for 2019-20.

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<sup>3</sup> National Assembly for Wales, [GEN-LD8713](#), National Assembly for Wales Assembly Commission Budget Proposals 2012-13, 9 November 2011

<sup>4</sup> National Assembly for Wales, [CR-LD9070](#), Report of the Finance Committee on Scrutiny of Assembly Commission Draft Budget 2013-2014, 18 October 2012

<sup>5</sup> National Assembly for Wales, [CR-LD11245](#), Finance Committee – Scrutiny of the Assembly Commission Draft Budget 2018-19, 20 October 2017

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Table 1: Draft Budget 2019-20: High level<sup>6</sup>

	2018-19	2019-20	Change	
	£'000	£'000	%	£'000
<i>Assembly Commission budget</i>				
Total Operational Budget	35,487	36,076	1.66%	589
Project Fund	-	1,000	N/A	1,000
<b>Commission budget excluding depreciation</b>	<b>35,487</b>	<b>37,076</b>	<b>4.5%</b>	<b>1,589</b>
Depreciation and amortisation charges	2,400	2,250	-6.3%	-150
<b>Total Commission Budget</b>	<b>37,887</b>	<b>39,326</b>	<b>3.8%</b>	<b>1,439</b>
<i>Member Related Expenditure</i>				
Members' salaries and related costs	16,201	16,197	0.0%	-4
Members' Pension finance costs	2,000	1,500	-25.0%	-500
<b>Total Member Related Budget</b>	<b>18,201</b>	<b>17,697</b>	<b>-2.8%</b>	<b>-504</b>
<b>Total net budget</b>	<b>56,088</b>	<b>57,023</b>	<b>1.67%</b>	<b>935</b>

9. The Commission proposed operational budget of £57.0 million includes:

- Commission Services budget, excluding ring-fenced budget, depreciation and annually managed expenditure, of £37.1 million, up on £35.5 million, an increase of 4.5 per cent;
- Commission Services budget, of £39.3 million, up on £37.9 million, an increase of 3.8 per cent; and
- Budget for the **Remuneration Board's Determination** for Assembly Members, of £17.7 million, a decrease of 2.8 per cent compared to the 2018-19 budget.

<sup>6</sup> National Assembly for Wales, [GEN-LD11756](#), National Assembly for Wales – Draft Budget 2019-20, 26 September 2018, 26 September 2018, page 36; and Research Service calculations

**10.** In relation to how the Commission determined the 1.67 per cent, the Director of Finance said:

“The figure that we focused on was the 1.67, on the total budget. From the figures that we’ve received from Welsh Government, that will be the increase that they expect to have at the Welsh block for 2019-20. That may change, but that was the figure that we were given, so on the whole budget. And that includes non-cash, it includes the determination budget, it includes depreciation, it includes a number of things. We felt that was the most transparent way to present this transitional budget. It’s very difficult to compare last year’s budget to this year’s budget because of the number of changes that we’ve put through: the churn figures, the commitment not to access any underspend on the determination budget. There were quite a number of changes. Going forward, there is merit in looking at excluding non-cash items, such as the capital charges of depreciation, and excluding the AME budget, because the AME budget, for example, is out of our control—it’s based on information we have from the Government Actuary’s Department. And there is also potentially merit in excluding the determination budget from the Commission’s—the figure that we’re asked to keep our increase within. So, we’re open to the recommendations of the committee, and we will look at that in how we determine the budget for 2020-21. But there is merit in looking at non-cash items, because they tend to be out of our control.”<sup>7</sup>

### Three year indicative figures

**11.** The draft Budget includes indicative figures for the remainder of the fifth Assembly and the first year of the sixth Assembly. The draft Budget states:

“Inflationary increases of 1.66% and 1.74% have been used to estimate the operational budgets for 2020-21 and 2021-22 respectively. These are indicative budgets, and with the scale of change and challenge faced by the Assembly, it is likely that these forecasts will need revising in future budget documents. Any significant changes to either the size or remit of the Assembly will be fully costed and would be likely to require an entirely new budget strategy.”<sup>8</sup>

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<sup>7</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 64

<sup>8</sup> National Assembly for Wales, [GEN-LD11756](#), National Assembly for Wales – Draft Budget 2019-20, 26 September 2018

## Changes to Budget presentation 2019-20

**12.** In previous Committee reports scrutinising the Commission's draft budget, the Committee has been concerned by the way the Commission budgets and the presentation of the planned spending. In the report on the draft Budget 2018-19, the Committee recommended:

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.<sup>9</sup>

**13.** Due to the concerns raised, the Committee undertook a short inquiry into how the Assembly Commission utilises the underspend from the Remuneration Board's Determination.<sup>10</sup> This report made a number of recommendations, notably:

Recommendation 5. The Committee recommends that the Commission fully explores the benefits and risks of changing processes around the Remuneration Board's Determination underspend, with a focus on maximising transparency. This should also take into account the outcome of the Remuneration Board's current consultation on the flexibility of the allowances within the Determination.<sup>11</sup>

**14.** Additionally, the Remuneration Board has made changes to the Determination relating to the way allowances are paid to Members and is consulting on future changes, which will likely reduce the underspend available in future years. Consequently, the draft Budget 2019-20 proposes a change in how the Commission treats the Remuneration Board's Determination and also how subsequent underspends are treated. The draft Budget sets out assumptions on automatically calculated pay increases for Assembly Members of 2.5 per cent and 3.0 per cent for Assembly Member Support Staff to allow for any other changes the Remuneration Board may make in its forthcoming review.

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<sup>9</sup> National Assembly for Wales, [CR-LD11245](#), Finance Committee – Scrutiny of the Assembly Commission Draft Budget 2018-19, 20 October 2017

<sup>10</sup> National Assembly for Wales, [CR-LD11528](#), Finance Committee – The Assembly Commission's use of the Remuneration Board's Determination underspend, 1 May 2018, Recommendation 7

<sup>11</sup> National Assembly for Wales, [CR-LD11528](#), Finance Committee – The Assembly Commission's use of the Remuneration Board's Determination underspend, 1 May 2018, Recommendation 5

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**15.** The Commission has estimated £16,697,000 for Member related expenditure to meet the requirements of the Determination. However, as part of the new approach to budgeting and in recognition of how the treatment of underspends and financing of the Commission’s investment fund is changing, the Commission has included a “Vacancy / churn provision” which removes £500,000 from the budget, leaving a total of £16,197,000.

**16.** In relation to this churn, the Commission outlined that the £500,000 is “an estimate based on previous figures, but also it’s in line with what we’ve seen in the Scottish Assembly”.<sup>12</sup>

**17.** With regards to the change in budgeting, the Chief Executive explained:

“... we had very many discussions last year about whether we should set the budget for the determination as 100 per cent of everything that could be called for. We were challenged on that to consider whether it would be more sensible to budget at a lower level, because, consistently, there has been some underspend on an annual basis. So, that’s what we’ve done this year. There’s much greater transparency in this mode, rather than depending on an expectation of underspend for the core projects. We have set that out very clearly in this budget. As I was saying, we have based that estimate of an underspend on our experience in previous years. Now, there are elements of the determination that change because the remuneration board has suggested a few amendments. So, we’ve tried to be relatively conservative in setting that estimate.

At the end of the day, if more is required, then it is our statutory duty to pay that money, and, therefore, find those moneys from the general Commission budget, and then we’d have to manage other projects or defer them, or whatever, in order to ensure that we have that money available for Members.”<sup>13</sup>

## Supplementary Budget

**18.** The draft Budget document highlights two possibilities for potential in-year supplementary budgets. One relates to possible changes to the employers contributions to the Civil Service Pension Scheme resulting from a valuation of

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<sup>12</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 16

<sup>13</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 22

that Scheme, currently being undertaken by the Government Actuary's department.

**19.** The second possibility of a supplementary budget arises from forthcoming changes to HM Treasury accounting rules. This will require operating leases to be recognised as assets in the Statement of Financial Position and subject to depreciation, in order to increase transparency regarding an organisation's committed liabilities. This change is likely to take effect from the start of the 2019-20 financial year, the draft Budget states that the Commission intends to reflect any amendments that are required to the 2019-20 budget via a possible supplementary budget in June 2019.

**20.** The Director of Finance explained the possible need for a supplementary budget relating to expected changes in the Civil Service Pension Scheme:

“...currently, the Government Actuary's Department is undertaking a valuation of the civil service pension scheme...

Early indications, as I've stated within the budget document, are that the average contribution of the Commission could increase from 21 per cent to 28 per cent. And in monetary terms, in cash terms, that would be in excess of £1 million onto our budget next year. So, that amount hasn't been included as yet because the valuation is still taking place. Cabinet Office has written to us and highlighted this issue. So, it's in excess of £1 million to us but a far greater figure, obviously, to the rest of the public sector. The information that the Cabinet Office included in the letter was that Treasury could provide additional funds to UK Government departments and, in turn, that could mean more for the Welsh block, which in turn could increase the Welsh block and then, potentially, that could mean an increase of the Commission budget. So, we're not there yet. Early indications are that we won't know until, and I quote, 'later in the year'. So, I can't give you a definitive timescale for that, but the assumption is that it could be in excess of £1 million.

So, the options open to us are either to continue, as we do, to use resources wisely and find efficiencies within our own budget or, if that's not possible, to come to you for a supplementary budget in the event that the Welsh block would have increased, and that gives us scope

then to look for an increased budget in line with any increases in the Welsh block.”<sup>14</sup>

**21.** With regards to the changes around the accounting rules for operating leases, the Director of Finance explained:

“This is a forthcoming change to international accounting and international financial reporting standards. There’s a new accounting standard, leases 16, coming in for accounting periods 2019-20. Again, I don’t know exactly how that will impact on us. The financial reporting advisory board is meeting in November. We should have more information then, and then they will provide an update to the financial reporting manual, which is published in December of this year, which will give more information about how that accounting standard is adapted for the public sector. So, until then, I can’t give a definitive answer, but, potentially, what we know it will involve is that any operating leases that we have—so, Tŷ Hywel, for example—will now be shown on the balance sheet or the statement of financial position and depreciated rather than, as we have at the moment, it’s an operating lease and we pay cash for that each year and it’s not shown on the statement of financial position. So, there will be quite a change to the presentation of the budget, but no impact in cash.”<sup>15</sup>

## Project Fund

**22.** The Committee’s report on the Commission’s use of the underspend in relation to the Remuneration Board’s Determination recommended that the “Commission reviews its approach to funding capital projects, ensuring that funding is allocated for core projects within its capital budget”.<sup>16</sup>

**23.** In view of this recommendation the draft Budget states:

“...a new project fund line is included, in addition to the Commission operational budget. This replaces the previous investment fund which was funded from determination and operational underspends.

These changes address the Finance Committee’s recommendations by ensuring that there is additional transparency and that there is

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<sup>14</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraphs 76-78

<sup>15</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 80

<sup>16</sup> National Assembly for Wales, [CR-LD11528](#), Finance Committee – The Assembly Commission’s use of the Remuneration Board’s Determination underspend, 1 May 2018, Recommendation 3



allocated funding for the Commission's capital and other large priority projects."<sup>17</sup>

**24.** The Project fund includes £1 million revenue and £500,000 capital in 2019-20, to fund priority projects. These projects are detailed in Annex 3 of the draft Budget.

**25.** The Chief Executive explained the approach taken to managing projects:

"We do need to have a fund for investments. This ranges from investments that come under the ICT rolling programme and the estates and facilities management programme—replacing boilers and windows and so forth. We have a degree of latitude over which year we do them in. We can bring them forward or delay them, as fits around other requirements, but these are things that need to be done on a rolling three-year or 10-year basis. Then there are other Assembly priorities, such as developing a new website, and things that were in that pot last year, like the Youth Parliament, that are now business as usual, so the costs are incorporated within the service lines that you have in the budget."<sup>18</sup>

**26.** Annex 3 to the draft Budget details the priority projects. The Commission was asked for further details on the project entitled "Public information and engagement", the Chief Executive explained that it linked to proposals from the digital engagement report and "the intention to engage with people around the Youth Parliament and around the twentieth anniversary of the Parliament next year".<sup>19</sup>

**27.** The Commissioner, when asked specifically about the Youth Parliament, stated:

"...we're treating the Youth Parliament as a permanent fixture and so it has to go into the 'business as usual' categorisation, if you like. I don't know if you have table 7 of the budget available to you there, which is on page 39. It's 'analysis of other costs', if that helps. There are about a dozen or slightly more lines here, one of which is 'promoting awareness and understanding', and it's actually in that budget line. So, it's just been absorbed now as part of natural business that we have to budget

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<sup>17</sup> National Assembly for Wales, [GEN-LD11756](#), National Assembly for Wales – Draft Budget 2019-20, 26 September 2018, page 15

<sup>18</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 36

<sup>19</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 44

for every year, which we do. It will vary when we get to election years, I think, but apart from that, it's a very static cost, I think."<sup>20</sup>

**28.** The Chief Executive further clarified the costs:

"It's £100,000 this year, the current year, because of the election expenses. It's £50,000 next year, within that budget line. This is the further detail of budget that I referred to earlier."<sup>21</sup>

**29.** When asked how the funding for the Youth Parliament had been determined, the Chief Executive said:

"Obviously, we work with the team who are delivering the service to define what services we think need to be delivered and then forecast and estimate those costs to our best ability.

... for the budget next year, as well as the travel and subsistence costs for the young parliamentarians, there is a certain amount of communication work that's included there as well, and engagement work."<sup>22</sup>

**30.** One of the projects identified as "essential"<sup>23</sup> is the Legislation software. The draft Budget states that:

"The changes and benefits of enhancements to the existing software could include:

- Efficiency savings, which supports committees, Table Office and translation and reporting staff to shift more of their time from convoluted process tasks, such as manually formatting amendments, to more value added tasks, such as drafting and making the legislation more accessible;
- A more integrated system which is closely aligned with external bodies such as the Welsh Government, The National Archive and other legislatures;

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<sup>20</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 163

<sup>21</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 164

<sup>22</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraphs 167 and 169

<sup>23</sup> National Assembly for Wales, [GEN-LD11756](#), National Assembly for Wales - Draft Budget 2019-20, 26 September 2018, page 22

- A more seamless publication process to make Bills, amendment lists and Acts available in a consistent open data format from start to finish; and
- Eliminating the need for manual interventions so that the end-to-end system is more joined-up.”<sup>24</sup>

**31.** The draft Budget states:

“The estimated cost of these enhancements is £200,000, which would be split equally between the Commission and the Welsh Government, over two years. The Commission’s contribution is included as £100,000 in 2019-20 and in 2020-21.”<sup>25</sup>

**32.** The Chief Executive explained that the Commission needed to:

“...invest in the system we have already because we’re not yet ready, working with the Welsh Government, to determine our exact requirements for a new system, because that’s going to be quite an investment. It is a core piece of software that underpins our legislation and streamlines all of it; it removes the possibility of human error, which is obviously very important when we’re dealing with amendments and legislation. The new system itself is going to be quite an investment, as I say, but we are speccing that very carefully, in other words, in planning for that now, sharing the cost with the Welsh Government. So, this is actually to keep going the system that we have and to keep it up to date until we’re ready to move ahead with that major new project.”<sup>26</sup>

## Committee view

**33.** The Committee welcomes the efforts made by the Commission and the Chief Executive to address previous concerns over the way the Commission’s budget is allocated and presented. The Committee recognises that, in light of the changes to the Remuneration Board’s Determination, the Commission would likely have had to make changes as the underspend would have reduced, but the

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<sup>24</sup> National Assembly for Wales, [GEN-LD11756](#), National Assembly for Wales – Draft Budget 2019-20, 26 September 2018, pages 22-23

<sup>25</sup> National Assembly for Wales, [GEN-LD11756](#), National Assembly for Wales – Draft Budget 2019-20, 26 September 2018, page 23

<sup>26</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 51

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Committee firmly believes that the changes contribute to transparency in budgeting.

**34.** The Committee welcomes the approach taken by the Chief Executive since her appointment, and is particularly pleased with the openness shown by the Chief Executive and her willingness to work with the Committee.

**35.** The Committee acknowledges the efforts made by the Commission to identify more clearly the likely demand from Members in terms of the Determination. However, the Chief Executive has said that should the determination exceed the estimation, any overspend would be met from the Commission's budget. Whilst recognising that the budget for the Determination and the Commission's budget are closely aligned, particularly as the Commission pays for some aspects of Members' costs, the Committee would not expect to see any unexpected Determination costs met from the Commission's budget. In circumstances where Determination spend exceeds the estimation, the Committee would expect to see a supplementary budget to account for this, in the same way that any underspend from the Determination will be returned to the Welsh Consolidated Fund via a supplementary budget, rather than being absorbed and spent by the Commission.

**36.** While the Committee did not consider indicative budget figures beyond 2019-20, the Committee supports the provision of three year indicative figures within the draft Budget. The Committee recognises that there is significant uncertainty regarding public spending in the short term, as we approach the end of the fifth Assembly and the start of the sixth Assembly, such as changes to the UK Government's Autumn Budget, longer term economic impact and general uncertainty around negotiations to exit the EU and the Assembly reform proposals.

**37.** The transition to a new budgeting process inevitably caused some difficulties in making comparisons between 2018-19 and 2019-20 budgets. The Committee would like to see consistency in terms of how annual increases are presented with or without non-cash and annually managed expenditure.

**38.** The Committee recognises that the two possibilities of a supplementary budget in the next financial year are due to factors beyond the Commission's control, and appreciates the inclusion of this information in the draft Budget.

**39.** The Committee welcomes the transparency in relation to the inclusion of specific information with regards to the priority projects being undertaken by the Commission. However, there are still some issues of clarity. With regards to the

project “public information and engagement”, whilst the Committee notes the draft Budget narrative and the oral evidence, it finds it hard to see how “public information and engagement” is a specific project and believes that clarity should be provided in the Commission’s final budget documentation.

**40.** The approach to how resources to fund the Youth Parliament are presented in the budget is confusing. The Committee is surprised that the draft Budget is silent on the specific costs associated with the Youth Parliament. Oral evidence provided details of the costs for this financial year of £100,000 and ongoing costs of £50,000 each financial year, but the Committee believes this should be detailed within the budget.<sup>27</sup> The Committee was also unconvinced as to how the costs for the Youth Parliament have been established and would welcome clarity on this.

**41.** The draft Budget includes costs in relation to the legislation software, but it is not clear from the narrative what the money is intended to achieve and it is also unclear what the cost is and how this is split with the Welsh Government.

**Conclusion 1.** The Committee is content with the draft Budget proposals.

**Recommendation 1.** The Committee recommends that the Commission has a consistent approach to how changes to annual budgets are presented, for example, with or without the inclusion of non-cash and annually managed expenditure.

**Recommendation 2.** The Committee recommends that, prior to laying the final budget, the documentation is amended to clarify the project work being undertaken under the heading “public information and engagement”.

**Recommendation 3.** There is uncertainty around the costs associated with the Youth Parliament and the Committee recommends that further consideration is given to how the costs are determined, and how they are presented in the draft Budget.

**Recommendation 4.** The Committee would welcome clarity on the Legislative Workbench project, including clarity over the costs and how this will be shared with the Welsh Government.

**Conclusion 2.** In circumstances where Determination spend exceeds the estimation, the Committee would expect to see a supplementary budget to account for this, in the same way that any underspend from the Determination

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<sup>27</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 164

will be returned to the Welsh Consolidated Fund via a supplementary budget, rather than being absorbed and spent by the Commission.

### 3. Changes to staffing and governance

**42.** The Committee report on the Commission's draft Budget 2018-19<sup>28</sup> made a number of recommendations in relation to staffing:

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.

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

Recommendation 10. The Committee recommends that the number of fulltime 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.<sup>29</sup>

**43.** The Commission provided an initial response in **December 2017** and, in the **Commission's response to the Committee's recommendations, a further response including a copy of the initial Capacity Review in March 2018**. Annex A of the Capacity Review included the benchmarking and trend analysis.

**44.** The draft Budget details the changes made to the Governance arrangements.<sup>30</sup> Under the new arrangements, a new Executive Board will set operational priorities based on the Commission's strategy, goals and priorities. The Executive Board will monitor the budget, agree investment and resourcing priorities, oversees corporate risk and have an oversight of change management.

<sup>28</sup> National Assembly for Wales, [CR-LD11245](#), Finance Committee – Scrutiny of the Assembly Commission Draft Budget 2018-19, 20 October 2017

<sup>29</sup> National Assembly for Wales, [CR-LD11245](#), Finance Committee – Scrutiny of the Assembly Commission Draft Budget 2018-19, 20 October 2017

<sup>30</sup> National Assembly for Wales, [GEN-LD11756](#), National Assembly for Wales – Draft Budget 2019-20, 26 September 2018, pages 30-31

Whilst a wider Leadership Team will generate ideas and provide constructive challenge.

**45.** The responsibility for setting the overall strategic direction for the organisation will be retained by the Commission, as the governing board. The Commission will continue to approve the budget strategy and will be provided with details of the investments approved by the Executive Board. The Commission will also continue to receive assurance from the Audit and Risk Assurance Committee on matters of risk, control and governance.

**46.** With regards to the Capacity Review, the draft Budget states:

“The Capacity Review identified a number of services, functions and processes for an efficiency and effectiveness review, including committee support and communications. Some of this work is already underway and the Executive Board is planning further reviews over the next 12 months.”<sup>31</sup>

**47.** In response to the Committee’s recommendations, the Commission stated:

“We are also gathering more quantitative data to highlight the volumes of work which various teams face, as well as undertaking scenario planning exercises to project potential future demands resulting from further constitutional change, which includes Brexit. This work may impact on the 491 ceiling beyond 2018-19.”<sup>32</sup>

**48.** The draft Budget sets out a commitment “to managing its staffing resources robustly to meet the needs of the Assembly, within its fixed establishment of 491 posts, until the next election”<sup>33</sup> whilst identifying that six vacancies have been reallocated to priority needs associated with Brexit and Assembly Reform. In relation to Brexit, the Commission observed that other organisations are taking on new staff to meet those challenges,<sup>34</sup> the Chief Executive said:

“...if we do have a huge change, a change in the size of the Assembly, something of that magnitude, then I think we would have to

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<sup>31</sup> National Assembly for Wales, [GEN-LD11756](#), National Assembly for Wales - Draft Budget 2019-20, 26 September 2018, page 15

<sup>32</sup> National Assembly for Wales, Finance Committee, [FIN\(5\)-08-18.PTN3 Letter from the Assembly Commission to the Chair - Scrutiny of the Assembly Commission Draft Budget 2018-19 - 9 March 2018](#), 15 March 2018

<sup>33</sup> National Assembly for Wales, [GEN-LD11756](#), National Assembly for Wales - Draft Budget 2019-20, 26 September 2018, page 15

<sup>34</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 104



recalculate and come back to discuss that with you and discuss it with the Commission again. But the very considerable additional resources already being demanded by constitutional change and Brexit are, at the moment, being absorbed.”<sup>35</sup>

**49.** Members asked whether the capacity review had enabled the Commission to consider whether current Assembly staffing is at the right level in comparison to other Parliaments (including bi-lingual Parliaments), the Chief Executive explained:

“It has been a very productive exercise, and we’ve engaged with all staff to understand the distribution of the resource. The committee has been sent a copy of the phase 1 report, which had included a lot of the benchmarking work in it. We have subsequently worked with a steering group, drawn from a lot of different departments, to draw up an action plan, which was finished before the summer and which outlines a programme of change moving forward. And the four goals are to enable us to work in a more agile way, so that staff can deploy their skills on a number of projects, as suits the business priorities.

We have made economies in lots of little ways. We have looked at ways of streamlining our procedures. We have looked at ways of using IT better, realising other benefits of IT investment— invest-to-save, renegotiated contracts, that sort of thing. And then we have brought those savings together to consider how we can then meet the evolving needs of the Assembly going forward.

... I think that we are comfortable that, although there is significant work pressure on everyone, we are at the moment staying within that establishment post count of 491 that we gave you an undertaking last year that we would stay within. And we are managing dynamically to make sure that we can meet the new demands from within that staff cohort.”<sup>36</sup>

## Potential Voluntary Exit Scheme (VES)

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**50.** The draft Budget states that a VES is being “seriously considered” in the final quarter of 2018-19, potentially funded from operational business savings from 2018-19 and 2019-20 staff budgets. The draft Budget states:

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<sup>35</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 106

<sup>36</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraphs 91-93

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“The benefit of running a VES is that it enables the Commission to utilise the capacity released to deliver the highest priority needs and to adapt the skills mix so that it is aligned to current and identified future challenges. Any VES would be subject to robust criteria for targeting and selection and also to manage costs. Given that we know we will face additional demands for resource to address the legislation arising from Brexit and Assembly Reform, within the establishment cap.”<sup>37</sup>

**51.** The Committee asked for reassurance that any VES would be in line with the recommendations of the **Managing early departures** report by the Wales Audit Office, the Chief Executive assured the Committee that this would be the case, but also emphasised that no decision had been taken to run a VES.

### Diversity and inclusion

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**52.** The Commission was asked a number of questions relation to staffing, including:

- Sickness rates;
- Gender profile;
- Race profile;
- Changes to the official languages scheme.

**53.** In relation to sickness absence, the Chief Executive said:

“...we have analysed what was behind that. With a relatively small cadre of staff, obviously, it only takes a few long-term sick cases to actually have a disproportionate effect on the figures, and there is bit of that. Unusually, in last August—in August 2017—there was a spike, which we haven’t seen before or since. There happened to be a number of long-term absence cases, an unusual concentration of hospital and medical procedures at that time, ...

I would say that it’s been a turbulent year—it’s been a year of change and uncertainty—and that is acknowledged to have an effect on sickness absence and, indeed, on turnover rate, which is also higher this year than it was the year before. And I think we have addressed that.

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<sup>37</sup> National Assembly for Wales, [GEN:LD11756](#) - National Assembly for Wales - Draft Budget 2019-20, 26 September 2018, pages 15-16

It's certainly true that mental health is an obvious cause of many of these sickness absences and, whilst being very glad that we are clearly reducing the stigma around stating that that is the reason for absence, because it gives us a chance to address it, there are measures that we need to take. I think we have been looking a lot at mental health during the last year. We now have two business partners who are specifically appointed to work with heads of service on managing sickness absence generally and the programme of action we've got—. I've got a list here—we've been supporting the Time to Change Wales campaign, we support the World Mental Health Day in October. We have established a network, a staff network, which is called MINDFUL, and we have a mental health champion on the senior leadership team, and allies, peer support—we have encouraged people to come forward and offer that. We have offered a lot of training as well to promote awareness of this amongst line managers and amongst people who may be suffering from mental health problems themselves. So, it's something we do take very seriously and we will continue to take seriously and monitor what happens. I would say, though, that even though we are not meeting our own challenging target, we are there or thereabouts in terms of the Chartered Institute of Personnel and Development reported public sector average.”<sup>38</sup>

**54.** The Commissioner also noted that the budget contained “a modest increase in the investment in health and well-being of staff”,<sup>39</sup> whilst the Chief Executive added that specific resources have been targeted with training to support staff making complaints under the new dignity and respect agenda.<sup>40</sup>

**55.** The Commission was asked about the lack of BAME representation in senior to middle management roles. The Chief Executive outlined that efforts were being made to encourage the development of career pathways and training,<sup>41</sup> and a specific network exists to support staff from different ethnic backgrounds, but the Commission has been focusing recruitment on junior grades to attract people in. The Chief Executive outlined that a recent apprenticeship scheme included:

“...a different advertising campaign; we had a suite of outreach events and partnered with community leaders and were guided by them on processes to try and decrease any barriers to entry. So, we hope that

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<sup>38</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraphs 129-132

<sup>39</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 134

<sup>40</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 137

<sup>41</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 147

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getting people in that way will then enable us to develop them within the organisation and undertake succession planning.”<sup>42</sup>

**56.** However, the Commission did not consider that the new language requirements could impact on the number of BAME applicants, the Commissioner said:

“It’s obviously for people who don’t speak Welsh, isn’t it, regardless of their background? So, that could be people who aren’t from the BME community as well. The point of the courtesy Welsh is that it’s a piece of training you get when you get here. It’s not an entry requirement. So, I’m not really sure why that would necessarily put anybody off. We are talking about some communities where they have more than one language anyway. So, I don’t see it as a deterrent myself; it’s actually an increase in your skill set when you get here.”<sup>43</sup>

**57.** Whilst the Chief Executive continued:

“I would say, as a piece of evidence to support that—on the recruitment that we’ve undertaken since bringing that requirement in, which is the apprenticeship scheme that I talked about for this year, we had a much greater BME response than usual to that. So, that suggests that, again, that is not seen as an issue—it’s not a barrier.”<sup>44</sup>

**58.** The Chief Executive explained why a staff survey has not taken place since May 2017:

“Staff satisfaction continues to be very important to us, and as I mentioned, we were aware that the capacity review as a process could be unsettling. Change is unsettling, though necessary. We do survey staff annually. This year’s staff survey is still to come. It’s in November. We moved it from its usual slot, because earlier in the year, we were already surveying AMs and AMSS staff, as we do every year, and we were asking people about the dignity and respect issues, which I mentioned just now. So, we didn’t want to overburden staff by asking them too much, but we have been engaging very thoroughly with staff, and I’m extremely grateful for the commitment that my colleagues have shown to that process. People have taken time out to help us think through the challenges ahead of us, and to give us the benefit of

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<sup>42</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 149

<sup>43</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 153

<sup>44</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 154

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their wisdom from different parts of the organisation so that we can come up with collaborative solutions together. So, the whole thing has been a very positive exercise, as far as I'm concerned, and, of course, if we can keep staff engaged in this process, that is an important indicator of their well-being as well."<sup>45</sup>

## Committee view

- 59.** The Committee welcomes the Commission's commitment to keep the headcount of staff within 491 until the end of this Assembly. However, the Committee recognises that there is considerable uncertainty and change ahead, not least in terms of fiscal devolution but also constitutional change and Brexit. Members would not necessarily wish to see an arbitrary block on staff increases if need dramatically increases, however, it would urge the Chief Executive to proactively plan for possible staff changes.
- 60.** The Committee notes the possibility of a VES taking place before the end of the financial year, and is pleased that the Chief Executive has confirmed that any VES will follow WAO guidelines on best practice. However, it was difficult to ascertain how any VES links with the capacity review and how the capacity review would be used for a more targeted VES. The Committee is aware that there may be sensitivities in identifying how the capacity review could identify specific people/posts that are no longer required but would welcome this information in due course should a VES take place.
- 61.** The Committee is concerned that there has not been a formal mechanism for staff to feed back to management since May 2017, particularly in view of the issues around high sickness rates, increased staff turnover and the significant change the organisation is undertaking. It is noted that the next staff survey is expected to take place in November 2018, and the Committee would welcome a response from the Commission as to how it is assessing staff satisfaction and welfare.
- 62.** The Committee is concerned by the increasing sickness absence within the Assembly. However, the Committee welcomes the steps being taken to address sickness, particularly the efforts being put into supporting staff with mental health issues.
- 63.** The efforts made to target the BAME community in the recent apprenticeship scheme are commended. However, the Committee is

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<sup>45</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 141

disappointed at the low representation of BAME groups across the organisation, particularly in more senior level positions. The Committee would urge the Commission to ensure efforts to increase BAME representation are not focused purely at junior grades and the Committee would welcome reassurance that changes to recruitment processes have not impacted adversely on the BAME community.

**Recommendation 5.** The Committee recommends that any staffing decisions are given serious consideration by the Commission, including any Voluntary Exit Scheme, and any such scheme should be closely linked with the findings of the recent Capacity Review.

**Recommendation 6.** The Committee is concerned by the apparent increases in sickness absence and staff turnover and recommends that further information is provided as to how the Commission is addressing these issues.

## 4. Assembly Reform

**64.** The draft Budget describes work planned to take forward Assembly reform. In July 2018, the Llywydd announced legislation will be in two phases:

“The first phase will include, among other reforms, legislating in 2019 to reduce the minimum voting age for Assembly elections to 16 with effect from 2021, and changing the name of the institution to Senedd Cymru / Welsh Parliament. There will not be a new logo or rebranding exercise

The second phase, which would include an increase to the number of Assembly Members, will depend on “*consensus on the voting system*”.”<sup>46</sup>

**65.** The draft Budget details that the majority of the scoping and development of the legislative proposals will be delivered by re-prioritising Commission resource, whilst there is an agreement with the Welsh Government to share resources to avoid duplication in policy overlaps around voting age between the Commission’s Bill and the Local Government Bill.<sup>47</sup>

**66.** The Chief Executive confirmed that the Commission “can’t commit funds in the budget in advance of decisions being taken that they’re necessary”.<sup>48</sup> The Commission was asked whether core areas of Assembly business would be deprioritised to carry out the work on reform, the Chief Executive said:

“This is the kind of dynamic management that we are constantly engaging in. We would aim to delay anything that we can delay and manage budgets—manage any savings that we made in year—to provide for new needs like that. Ultimately, we’ll have to come back to the Commission and to you if we can’t. But, at the moment, our calculation is that the budget, as presented, is the right balance between affordability and meeting the needs that need to be met.”<sup>49</sup>

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<sup>46</sup> National Assembly for Wales, Elin Jones (Llywydd), [The Commission’s Assembly Reform priorities following the outcome of the public consultation “Creating a Parliament for Wales”](#), Written Statement, 18 July 2018

<sup>47</sup> National Assembly for Wales, [GEN-LD11756](#) – National Assembly for Wales – Draft Budget 2019-20, 26 September 2018, pages 18-20

<sup>48</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 159

<sup>49</sup> Finance Committee, Record of Proceedings, 3 October 2018, paragraph 161

## Committee view

**67.** The Committee notes that the Chief Executive stated that the Commission could not commit funds for reforming the Assembly in advance of the decision being taken that reform is necessary. However, a week after the Commission gave evidence to the Committee the National Assembly for Wales agreed to allow the Assembly Commission to introduce the Welsh Parliament and Elections (Wales) Bill.<sup>50</sup>

**68.** The Committee recognises that it would be not be proper to have included funding for Assembly reform prior to having a mandate for spending in this area. However, as this mandate has now been given the Committee would expect the final budget to reflect how changes will be incorporated to fund this work. The Committee notes that the witnesses said that this draft budget would be used to cover the costs of the work on reform, therefore the Committee would welcome an update on how spending priorities will be changing to accommodate this spend.

**Recommendation 7.** The Committee recommends that the financial impact of any proposed legislation regarding Assembly Reform is accompanied by a robust financial impact assessment.

**Recommendation 8.** The Committee recommends that the Commission provides details of the changes in the final budget reflecting spending on Assembly reform to the Committee. Should there be a requirement for a supplementary budget in relation to reform the Commission should provide details to both the Finance Committee and Welsh Government as early as possible.

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<sup>50</sup> Plenary, Record of Proceedings, 10 October 2018, Paragraphs 309-383 and 492-493