

Agenda – Y Pwyllgor Cyllid

Lleoliad: I gael rhagor o wybodaeth cysylltwch a:
Ystafell Bwyllgora 2 – y Senedd **Bethan Davies**
Dyddiad: Dydd Mercher, 7 Mawrth 2018 Clerc y Pwyllgor
Amser: 09.00 0300 200 6372
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1 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau

2 Cost Gofalu am Boblogaeth sy'n Heneiddio: Sesiwn dystiolaeth 1 (Confederasiwn GIG Cymru a Gofal Cymdeithasol Cymru)

(09.00–09.50)

(Tudalennau 1 – 32)

Vanessa Young, Cyfarwyddwr, Confederasiwn GIG Cymru

Carol Shillabeer, Prif Weithredwr Bwrdd Iechyd Addysgu Powys

Gerry Evans, Dirprwy Brif Weithredwr, Gofal Cymdeithasol Cymru

Papur 1 – Confederasiwn GIG Cymru: Tystiolaeth ysgrifenedig

Papur 2 – Gofal Cymdeithasol Cymru: Tystiolaeth ysgrifenedig

3 Cost Gofalu am Boblogaeth Heneiddio: Sesiwn dystiolaeth 2 (Gwasanaethau Cyhoeddus Cymru 2025)

(09.50–10.40)

(Tudalennau 33 – 72)

Dr Daria Luchinskaya, Gwasanaethau Cyhoeddus Cymru 2025

Joseph Ogle, Gwasanaethau Cyhoeddus Cymru 2025

Papur 3 – Gwasanaethau Cyhoeddus Cymru 2025: Tystiolaeth ysgrifenedig

4 Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o weddill y cyfarfod

(10.40)



- 5 Cost Gofalu am Boblogaeth sy'n Heneiddio: Trafod y dystiolaeth**
(10.40–10.50)
- 6 Ymchwiliad i'r Tanwariant sy'n Deillio o Benderfyniadau'r Bwrdd Taliadau: Trafod y dystiolaeth ysgrifenedig**
(10.50–11.00) (Tudalennau 73 – 145)
Papur 4 – Papur eglurhaol
Papur 5 – Crynodeb o'r dystiolaeth
Papur 6 – Pecyn ymgynghori
- 7 Ymchwiliad i'r paratodau ariannol ar gyfer gadael yr Undeb Ewropeaidd: Dull o gynnal gwaith craffu**
(11.00–11.20) (Tudalennau 146 – 153)
Papur 7 – Dull o gynnal y gwaith craffu
- 8 Deddf Casglu a Rheoli Trethi (Cymru) 2016: Offerynnau Statudol ym maes treth**
(11.20–11.30) (Tudalennau 154 – 163)
Papur 8 – Rheoliadau Awdurdod Cyllid Cymru (Pwerau i Ymchwilio i Droseddau) 2018

[Rheoliadau Awdurdod Cyllid Cymru \(Pwerau i Ymchwilio i Droseddau\) 2018](#)
[Rheoliadau Awdurdod Cyllid Cymru \(Pwerau i Ymchwilio i Droseddau\) 2018 – Memorandwm Esboniadol](#)

Papur 9 – Gorchymyn Deddf Enillion Troseddau 2002 (Cyfeiriadau at Ymchwilwyr Ariannol Awdurdod Cyllid Cymru) 2018

[Gorchymyn Deddf Enillion Troseddau 2002 \(Cyfeiriadau at Ymchwilwyr Ariannol Awdurdod Cyllid Cymru\) 2018](#)
[Gorchymyn Deddf Enillion Troseddau 2002 \(Cyfeiriadau at Ymchwilwyr Ariannol Awdurdod Cyllid Cymru\) 2018 – Memorandwm Esboniadol](#)

Papur 10 – Gorchymyn Rheoleiddio Pwerau Ymchwilio (Gwylidwriaeth Gyfeiriedig a Ffynonellau Cuddwybodaeth Ddynol) (Diwygio) (Cymru) 2018

[Gorchymyn Rheoleiddio Pwerau Ymchwilio \(Gwylidwriaeth Gyfeiriedig a Ffynonellau Cuddwybodaeth Ddynol\) \(Diwygio\) \(Cymru\) 2018](#)

[Gorchymyn Rheoleiddio Pwerau Ymchwilio \(Gwylidwriaeth Gyfeiriedig a Ffynonellau Cuddwybodaeth Ddynol\) \(Diwygio\) \(Cymru\) 2018 – Memorandwm Esboniadol](#)

	The Welsh NHS Confederation response to the Finance Committee inquiry into the cost of caring for an ageing population.
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Date:	19 February 2018

Introduction

1. We welcome the opportunity to contribute to the Finance Committee inquiry into the cost of caring for an ageing population.
2. The Welsh NHS Confederation represents the seven Local Health Boards (LHBs) and three NHS Trusts in Wales. The Welsh NHS Confederation supports our members to improve health and well-being by working with them to deliver high standards of care for patients and best value for taxpayers' money. We act as a driving force for positive change through strong representation and our policy, influencing and engagement work.

Overview

3. As highlighted in our recent briefing, "*Finance and the NHS in Wales*",ⁱ there is little doubt that health and social care services have faced, and will continue to face, enormous challenges over the coming years with increasing demand and expectations. We have the opportunity in Wales to create a sustainable health and social care system that the Welsh population needs and deserves and the recently published Parliamentary Review of Health and Social Care in Wales report provides us with a renewed urgency for discussion and the framework within which vital decisions for the future of our health and social care system can be taken.
4. The current system was designed nearly seventy years ago when life in Wales was very different than it is today. There is a real need to shift, at pace, the health and social care system in Wales away from treatment to an integrated system based on well-being, prevention and early intervention as set out in the Parliamentary Review report.
5. However, one immediate challenge is the need for appropriate levels of funding and a long-term funding model to support the health and social care system. Without adequate funding and new investment for health and social care in the future, the changes outlined in the Parliamentary Review report will not be enough to ensure a sustainable health and care system.

The Terms of Reference for the inquiry are:

To examine patterns in demand for social care services for those of pension age and the related costs of delivery of residential and non-residential care, taking account of the role of informal carers who provide unpaid services to those requiring care;

6. Since the creation of the NHS almost 70 years ago, society has changed dramatically. Our average life expectancy has improved considerably, which is partly down to the success of the NHS and is something to celebrate. However, an ageing population also brings with it a series of fresh challenges for the health and social care sector, and as with all other UK health systems, the NHS in Wales faces these challenges as it works against a backdrop of increasing demand and under increasing financial pressure.

7. An ageing population, coupled with an increasing number of people having multiple and complex needs, means the demand for health and social care services is predicted to grow rapidly in the near future. Wales has the largest and fastest growing proportion of older people (aged 65 and over) of any other UK nation. The population of older people in Wales grew by 77,176 people between 2009-10 and 2015-16 and formed 20.2% of the population in Wales in 2015. In contrast, older people formed 17.7% of the English population in 2015.

8. The number of people aged 65 and over is projected to increase by 50% by 2037 in Wales while the number of young people aged 16-24 is set to decrease by 3% by the same year.ⁱⁱ More than a third of the population of Wales is expected to be over the age of 60 by 2055 and by 2069, those aged over 75 will be the biggest proportion of all age groups.

Wales Population Projections

People Aged:	2016	2020	2025	2030
65-69	195,540	176,970	186,400	207,450
70-74	154,830	179,960	164,790	174,440
75- 79	116,570	132,020	159,990	147,640
80-84	85610	93,160	108,770	133,620
85+	84370	95,430	114,500	141,530
Total	636,920	677,540	734,450	804,680
		+6.37%	+15.31%	+26.33%

*% changes are all from 2016

9. In addition to the projected increase in older people, Wales currently has the highest rates of long-term limiting illness in the UK, which is the most expensive aspect of NHS care. Between 2001-02 and 2010-11 the number of people with a chronic or long-term condition in Wales increased from 105,000 to 142,000.ⁱⁱⁱ This figure is expected to rise for a number of conditions, including cancer, dementia and diabetes.

10. In relation to residential care, the care home market remains a significant part of the national care and support offer. This is a vital sector with who our members work in partnership and together will consider the future services required to meet the change in demographic. The Welsh Government Care Home Steering Group, established to investigate and report on key issues impacting on the care home sector in Wales, includes Carol Shillabeer, the Chief Executive of Powys Teaching Health Board as a member.
11. While we need to be cautious in planning demand for care home placements based purely upon population projections and current use of care homes because demand, as stated below, will be influenced by a range of factors. We can say however, if everything else stood still the changes in population could lead to the need for additional placements in care homes.
12. According to Care Inspectorate Wales, as at March 2017 there were 642 care homes providing 22,217 places for adults over 65.^{iv} Some homes have closed since this time but it is worth highlighting this is about double the average number of daily available NHS beds, which in 2016 – 17 was 10,856.^v Health Boards and Local Authorities spend approximately £369 million on placements in care homes for older people in Wales. This excludes client contributions, third party payments and the fees paid by those individuals who fund their own care. This is a substantial market and contributes significantly both to the economy and employment in Wales.
13. The care home market for older people is far from being in a state of equilibrium with considerable vacancies in the residential care sector together with difficulties in responding to demand for nursing home placements in some areas at the time they are required. Care homes themselves report serious challenges both in terms of funding and workforce recruitment, retention and development. People are also being admitted with more complex needs. The future demand on places in care homes will be dependent upon a range of factors. These include:
 - The growth of the population of older people;
 - The support available from family and friends;
 - The quality of support available to family/ carers is essential;
 - Effective arrangements for assessment and care planning;
 - The development of the range and quality of care and support services in the community together with alternative accessible forms of accommodation such as, for example, extra care housing;
 - More effective treatment and support to individuals with long term conditions. This also involves treatment and support to help individuals manage problems in relation to continence;
 - Development of technology enabled care to help individuals manage their own care and provide additional safeguards; and
 - The development of appropriate care pathways to ensure that individuals have access to rehabilitation and reablement.

14. Finally, the role of informal carers is key. There are estimated to be more than 370,000 unpaid carers in Wales and the contribution they make is enormous, both in terms of care hours provided, the increasing number of elderly carers and the toll on their own health, well-being, employment and leisure opportunities. Research carried out by Carers UK^{vi} found that half of carers (52%) said their health was affected as a result of their caring responsibilities. The amount of care provided by unpaid carers saves the Welsh economy £8.1bn every year.^{vii}
15. Within the Welsh Governments Carers Measure 2010, Health Boards were given a lead role to work with partners including Local Authorities, third sector and importantly carers themselves. The Carers Measure has been repealed with the introduction of the Social Services and Well-being Act 2014 in April 2016. The Act provides new rights for carers and identifies integration of services for carers as a priority under part 9 of the Act. As part of the Social Services and Well-being Act, Health Boards have developed Regional Carers Strategies to support carers within their population. One of the biggest challenges in relation to informal carers is the need to access respite provision which is suitable and accessible in the local area. Currently respite provision is very hard to commission as providers do not appear to have much capacity for this.

To examine the financial pressures on the social care system, such as increases in wages, automatic pension enrolment and staff recruitment and retention difficulties, including the related financial impacts arising from the UK leaving the European Union;

16. The Health Foundation report, *“The path to sustainability: Funding projections for the NHS in Wales to 2019/20 and 2030/31”*,^{viii} found that in 2014/15 Wales spent £1.2bn on personal social services, excluding family and children’s services. This is worth around £397 per head of population, which is higher than in England (£290). Pressures on publicly funded adult social care in Wales are projected to rise by around 4.1% a year in real terms, using estimates from the London School of Economics and Political Science (LSE). Fully funding these pressures would require an extra £1.0bn by 2030/31, rising to £2.3bn from £1.3bn in 2015/16. The steps taken by the NHS to support and work with other services, and by government to adequately resource them, will have implications for the long-term sustainability of the health and social care.
17. The Wales Public Services 2025 report, *“A delicate balance? Health and Social Care spending in Wales”*,^{ix} highlights that given population and other demand trends, projections suggest there will have to be a near doubling of spending on Local Authority social services for older people by 2030. The report highlights that Wales has pursued a more balanced approach to NHS and social care spending than England over the period 2009-10 to 2015-16, but, even so, spending through Local Authorities on social care for the over 65s is not keeping pace with the growth in the population of older people. The increasing over-65 population in Wales means that spending per older person has fallen by over 12% in real terms over that period and on current population projections, Wales would need to be spending at least an additional £129 million (23%) by 2020-21 (at 2016-

- 17 prices) to bring the per capita spend on Local Authority social services for over-65s back to 2009-10 levels, which is equivalent to a year-on-year growth rate of 2.5%.
18. It must be recognised that Wales made a distinctive set of choices over its spending on health and social care over the period 2009-10 to 2015-16 in responding to complex challenges. Budgets were squeezed and UK Government austerity measures led to an 8.2% reduction in the funds available for day-to-day spending in Wales at a time when demand pressures grew.
 19. An effective interface between health and social care has been crucial in responding to these challenges. Budgets for England have concentrated on increasing health spending while local government spending on social care has declined, whereas in Wales the Welsh Government pursued a more balanced approach. The total health, personal and social service spend per head in Wales was 6.3% higher than that of England in 2015-16, £2,733 compared to £2,571 (2016-17 prices). The day-to-day spending on Local Authority-organised adult social services has remained broadly flat in real terms in Wales, while in England it fell 6.4% over the period 2009 10 to 2015-16.
 20. In relation to the care home sector, as the Public Policy Institute for Wales "*The Care Home Market in Wales: Mapping the Sector*",^x highlights due to the financial pressures it has become more difficult for new entrants to enter the market, particular as capital costs for entry are high. This along with the introduction of the National Living Wage and work place pensions is affecting the financial viability of care homes in Wales.
 21. Care homes in Wales, and throughout the UK, are experiencing serious challenges in terms of financial stability, recruitment of staff, including nurses and registered managers, responding to higher levels of acuity and dependency among their residents, including more complex health conditions, and not least the negative image of care homes. "*The Care Home Market*" Report^{xi} highlights at the current time there are two particular risks that might need to be considered. Firstly, the potential for a large provider to get into major difficulties leading to the sudden withdrawal of a significant number of services from the market. Although the market share of large providers in Wales is comparatively low, this risk is always a possibility and something which needs to be factored in to any future oversight regime. The second particular risk is of ongoing closures of smaller group and single home providers as the economics of the market make them less viable and sales of property more attractive to their owners. Although a policy goal is to support people in the community wherever possible, the significant number of older people aged 85+ projected suggests that demand for care homes is unlikely to reduce during that time without huge investment in alternative provision such as extra care housing.
 22. Finally, in relation to Brexit the implications of a UK withdrawal from the EU are anticipated to affect all parts of the health care system. Many aspects of UK health and social care services have been influenced by European Union policies and legislation. Depending on the settlement, the UK's exit from the EU could have a profound impact on the UK economy and the delivery of public services. The annual funding of the health and

care system depends on the performance of the economy. It is a concern therefore that leading economists have suggested that Brexit could lead to an economic downturn. The Health Foundation has previously estimated that the NHS budget in England could be £2.8 billion lower than currently planned by 2019-20.^{xii} In the longer term, the analysis concludes that the NHS funding shortfall could be at least £19 billion by 2030-31 – equivalent to £365 million a week – assuming the UK is able to join the European Economic Area. If this is not the case, the shortfall will potentially be as high as £28 billion – which is £540 million a week. The repercussions will be felt by NHS and social care in Wales.

23. In addition to finance, the health and care system is heavily reliant on EU workers. While the UK Government has given some reassurance that EU nationals can remain in the UK, we believe the priority must be to ensure that the UK can continue to recruit and retain much needed health and social care staff from the EU and beyond, whilst increasing the domestic supply. Our priority in NHS Wales will be to ensure a continuing ‘pipeline’ of staff for the sector. The immigration system that is in place after the UK leaves the EU will need to ensure that, alongside our domestic workforce strategy, it supports the ability of our sector to provide the best care to our communities and people who use our services.

To consider the financial impact of current Welsh Government policies - including recent social services legislation and reforms to social care funding - on local authorities, care providers and service users;

24. From a NHS perspective the financial impact of the Social Services and Well-being Act 2014 and Well-being of Future Generations Act 2015 is still unclear because it is very difficult to quantify the costs but they have led to increased joint working between health and social care and improved outcome for individuals accessing services.
25. Part 9 of the Social Services and Well-being (Wales) Act 2014 (‘the Act’) puts onto a statutory footing seven Regional Partnership Boards (Boards) which bring together Health Boards, Local Authorities, the third sector and other partners to improve the efficiency and effectiveness of service delivery. The Boards oversee the Integrated Care Fund (ICF) for their region and their purpose is to improve the outcomes and well-being of people in response to the population assessment, also required by the Act. As part of their role in making the best use of resources, Boards are required to promote the use of pooled funds. Pooled funds must be established in relation to care home accommodation functions. Boards must also consider the need for a pooled fund whenever they jointly respond to the population assessment. The NHS highly values the Regional Partnership Boards and across Wales senior joint posts are being created between health and social care.
26. The establishment of the £50 million ICF in 2014-15 has been a key driver for health and social care integration in Wales, focusing initially on enabling older people to maintain their independence at home, avoid unnecessary hospital admission and to prevent delayed discharges. In 2017 the ICF scope was widened to include older people with complex needs and long-term conditions (including dementia), people with learning disabilities, children with complex needs due to disability or illness and carers.

27. The fund has supported collaboration and partnership working across social services, health, housing, the third sector and the independent sector and has built on existing good practice. It has also provided pump-priming money for the development of innovative and new models of service delivery, care and support. Its success comes from providing dedicated resources, joint decision-making and collaborative styles of working to enable public servants to deliver transformational change.

Examples of how ICF Funding has been used across Wales in 2016-17

West Wales: nearly £235,000 was used by the Pembrokeshire Intermediate Voluntary Organisations Team (PIVOT) which aims to improve opportunities for independent living in the community and reduction in social isolation for individuals. The latest figures show 1090 bed days saved and 109 hospital admissions avoided. 100% of recipients surveyed said the service had made things better.

North Wales: nearly £57,000 was used for Occupational Therapy in Wrexham Maelor Hospital and Ysbyty Glan Clwyd to provide a point of contact for families and patients at weekends to expedite supported discharge. Latest figures show this service has supported 138 patients and saved an estimated 60 bed days.

Gwent: nearly £120,000 supported new Patient flow co-ordinators who work to reduce lengths of stay and delayed transfer of care. On average there are 103 patients who are medically fit for transfer and in an acute hospital at the end of each day. This funding aims to reduce this figure by 10%.

Western Bay: funding for a specialised nursing team that has consistently improved hospital admissions avoidance. Last year the service resulted in 70 admissions being avoided.

Powys: £30,000 for the Good Neighbour Scheme, which offers 1:1 befriending support for older people with the aim of providing practical support, reducing isolation and promoting independence. Latest figures show 143 people have used the service (37 new clients in the last quarter) with some 95 volunteers involved.

Cwm Taf: nearly £100,000 for the Complex Discharge Team which supports joined up services between primary care, secondary care, community care, social care and voluntary organisations. To date nearly 200 people have been supported by this scheme.

28. The Public Service Boards (PSBs), introduced as part of the Well-being of Future Generations (Wales) Act 2015, enable public services to commission and plan collaboratively, ensuring services are integrated and that care and support provided improves health and well-being outcomes for the local population. The Population Needs Assessments that have been undertaken will help PSBs to identify priorities and specific

actions they need to meet the health and well-being needs of their citizens and to help tackle health inequalities in their areas. Consideration should be given to involving other partners in the design of local preventative services, including non-devolved public services, local private companies and social movements. By leveraging innovative partnerships, the NHS could find cost-effective and scalable ways to monitor their rising-risk patients, engage more closely with patients and utilise the skills and qualities of local people wherever possible.

29. All partners share a clear vision to transform the way we support individuals, families and communities, adopting a new model of integrated health and social care services. However, finding ways to fund sustainable and cost-effective services is challenging for all sectors. Development of new delivery mechanisms such as social enterprises and encouraging people to take more responsibility for their own health and well-being is not a panacea for all needs. By providing more preventative and early intervention services, we can support people as soon as they need it, help them to remain happily within their family and community, and for some, avoid expensive and disruptive specialist and substitute care. By doing this successfully over time we can take some resources out of specialist and substitute care and into better community and universal services. However, there will still always be a need for some specialist care and a more innovative and sustainable solution is needed.

To consider future social care needs and related costs, including the projected increase in the proportion of the population of Wales of pension age;

30. As highlighted previously, finance has long been a challenge for health and social services, but never more so than since the economic crash nearly a decade ago. Since then, all public services have struggled in the face of public finance austerity and while the NHS and social care have been relatively protected in Wales (compared to England and other Welsh public services), both sectors continue to struggle in the face of an ageing population with increasing chronic and complex health conditions.
31. Such a rise in demand, coupled with constrained financial resources, has made delivering health and care services in the current model increasingly difficult. The NHS is committed to working more efficiently to rise to the challenges it faces. However, it has become increasingly clear that traditional methods of savings are unlikely to deliver what is needed. It is important that we are realistic about the current and future costs of health and care services and we need to work with stakeholders across the health and care sector to fully understand the future resources required to secure the system.
32. Core NHS spending now accounts for more than 50% of the Welsh Government's revenue budget. However, in line with the rest of the UK funding growth, it has not kept pace with the overall growth in Gross Domestic Product – something which the Health Foundation^{xiii} suggests is key to ensuring a sustainable NHS in the future. At the same time social care spending on day to day adult social services has remained broadly flat, but the increasing over 65 population in Wales means that spending per older person has fallen by nearly 13% in real terms over that period.

33. The public finance outlook for the foreseeable future at least remains pessimistic and the indications are that the growth in funding which is badly needed in both health and social care will be very difficult to find and will require difficult choices to be made about public services in Wales.
34. The Health Foundation report,^{xiv} referred to earlier, articulated the financial challenge facing the health and social care sector in Wales over the next fifteen years. The report suggests that a sustainable publicly financed healthcare system in Wales is achievable by 2031, but only with growth in funding in line with growth in GDP in respect of the NHS, plus a 4% uplift year on year in social care funding. The Institute for Public Policy Research^{xv} estimates that across the UK there will be a funding gap to the tune of £13 billion for adult social care, equivalent to 62% of the total expected budget, by 2030-31 and they warn “*on current trends, adult social care is unsustainable*”. Many other public services have been squeezed out as Councils essentially run social care and school provision. Unless funding for adult social care rises at the same rate as pressures, or there is a dramatic change in the rate of efficiency growth for social care services, there is a risk that the level of unmet need in Wales would rise.
35. Both the NHS and Local Government have delivered millions of pounds of recurrent efficiency savings over the past five years, as evidenced in various Wales Audit Office reports.^{xvi} We now need to become more sophisticated in our search for further resource releasing efficiencies, going beyond the delivery of traditional technical efficiencies to consider the efficiency of our resource allocation, based on a better understanding of the outcomes of our spending decisions. As highlighted within the Parliamentary Review, there is further potential to drive technical efficiencies from across the NHS. Our members are working to implement an efficiency programme using benchmark data, but we believe a greater pace could be achieved if Wales adopted a more systematic approach to efficiency, akin to the Carter work in England.^{xvii} Similarly, we urge Welsh Government, Health Boards and Councils to consider the allocative efficiency of their budget processes to ensure they allocate resources to support a preventative model of health and social care.
36. Even then, the demographic trajectory combined with medical and pharmaceutical developments will lead the health and social care sector to continue to need substantial ongoing financial support, which is likely to involve further disinvestment in other public services. We recognise that the funding required is not within the Welsh Government’s gift, even with the introduction of income tax raising powers. But we cannot simply ignore the reality of the problem.
37. Many public-sector leaders – politicians and policy makers – already recognise that the current funding model is no longer fit for purpose. It was designed in the post-war era when the birth rate was falling and the world was a very different place. While we would all champion a free health and social care system for all, those in positions of responsibility need to be honest with the public about what that could mean in the future. Especially if

we don't succeed in securing the shared ownership and changed behaviours from the public.

38. We believe that it is not possible to consider the long-term future of health and social care in Wales without considering the issue of how and to what level the system should be funded in the future as this will impact on decisions we make in the next five to ten years. Short term funding fixes will not suffice if we are to address the serious financial challenges we face. Neither will small scale amendments to the edges of service delivery. Indeed, the recent House of Lords Select Committee report into the long term sustainability of the NHS calls for radical service transformation, long-term funding solutions and immediate and sustained action on adult social care as the three key objectives that must be addressed if the NHS is to make real progress towards achieving long term sustainability.^{xviii} We agree and believe that governments need to consider alternative funding models for the health and social care sector in the future. This could include options such as increasing taxes as well as paying for specific services or rationing others.
39. Finally, health and care providers need to work with education colleagues to ensure that schools and colleges highlight that a career in caring is a positive career choice. Failure to do so will mean less and less young people entering this field of work and the inability to provide care for those who need to receive it. The NHS has already started working in a more coordinated way with our education colleagues, including an event in Cwm Taf UHB where Year 9 were invited into Prince Charles Hospital, Merthyr, to show them the breadth of work undertaken by the NHS to provide 24/7 care and to inspire them to consider a future career within the service.

To assess the fiscal levers available to the Welsh Government to reform the arrangements for funding social care. This will include the consideration of alternative models, including international examples, for the funding of social care to ensure a good quality, fair and sustainable service in a time of increasing demands on the health and social care systems;

40. Some commentators are arguing that we now need a dedicated national health and care fund for integrated health and care. This would require some general taxation but could be gradually built up with more money from hypothecated taxes associated with health and consumption of care. This means using taxes on tobacco, alcohol, unhealthy foods, gambling and inheritance, and possibly a compulsory insurance tax at age 50, to pay for social care in old age. At its 2014 conference the Royal College of Nurses nationally debated whether a possible solution to current challenges would be to introduce patient charges for GP visits. Others have suggested that well-designed user charges would not only raise additional revenue, but would also limit unnecessary demand, encourage greater cost-effectiveness in the use of healthcare services, and promote the adoption of healthy lifestyles.

41. In addition to fiscal levers available to the Welsh Government, to ensure a sustainable health and social care system it is vital that we empower the public to become active

participants in the services that they receive. Changing public attitudes and behaviour is critical, as the Parliamentary Review highlighted we need to put the people in control through *“Strengthen individual and community involvement, through voice and control in health and care, and ensuring all ages and communities have equal involvement”*.

42. There is an urgent need for a meaningful dialogue with the public about the future of public services, their expectations of these services and the different role they need to play. This is vital because evidence shows that public support is critical to delivering and securing policy and behaviour change. Programmes that are most successful in galvanising public support are those which place the public at the heart of the decision-making process, particularly when combined, where appropriate, with enabling legislation. This is borne out by successful national policies and programmes, such as seatbelt laws, the carrier bag levy, road safety campaigns, banning smoking in public places, and most recently in Wales, organ donation. In Wales we now have the legislative framework we need in the form of the Future Generations (Wales) Act 2015 and the Social Services and Wellbeing (Wales) Act 2014, but we still need to win the hearts and minds of the Welsh public.
43. Currently, the Welsh public is being bombarded with messages from public services, voluntary organisations, government, various media outlets and personal networks. Similarly, there are different requirements around public consultation in health and social care. There is an opportunity for effective communication and engagement with the public and patients to be more impactful across the whole public service by developing holistic messaging which would encourage public acceptance of the need for change.
44. There is also a requirement for an open and honest conversation with the public about what the NHS can provide in future. While the NHS is free at the point of contact, it is not free of obligation, and the public will need to be supported in taking more responsibility for their own health. The NHS belongs to us all, and as individuals, we should do what we can to ensure it is sustainable, both now and in the future. In January 2017, the Welsh NHS Confederation conducted a survey^{xix} which provided some encouraging results around the public’s understanding of their role in taking responsibility for their health well-being and a willingness to take action. More than 90% said they have a great deal or a fair amount of responsibility for their own health and well-being, while 55% said they should be doing more to look after their own health and well-being.
45. These ideas may be controversial, but shying away from difficult debates over these issues will not help the health service or social care in the long run.

To consider the findings and conclusions of the Parliamentary Review.

46. The Welsh NHS Confederation welcomed the publication of the Parliamentary Review Report and are pleased to see many of the points raised in the report reflect the evidence submitted by the Welsh NHS Confederation as part of the consultation process, including a number of recommendations that we put forward.

47. The report makes a major contribution to the debate on how to create a sustainable health and care system in Wales. Our members agree that a different system of care is needed – one that is seamless across health and social care, physical and mental health, and secondary and primary community care.
48. The report recognises that we have been moving towards a more integrated system for a number of years and there are many good examples of new models of care that are already working in Wales. The challenge is how we can be more radical and ambitious, to accelerate the pace in moving to a genuinely seamless system. We are particularly pleased the report recognises the need to involve the public in the design and development of new service models. The citizen voice must be part of the solution to the challenges we face, with people being empowered to be actively involved in their own health and wellbeing.
49. While supportive of the Parliamentary Review findings, the report raises concerns around funding of health and social care in the future. The absence of any consideration of the long-term model for funding health and social care is the elephant in the room. We agree it is crucial for us to increase the value we achieve from the funding of health and care. It is also helpful that the report recognises that the level and sources of funding for health and social care remain key national issues. As we develop plans to transform the health and care system we must ensure they are supported by sustainable funding. We have recommended that the report is considered in conjunction with the Health Foundation’s 2016 *“Path to Sustainability”* report that analyses the demand and cost pressures facing Wales now and until 2031. Without adequate funding for health and social care in the future, the changes outlined in the report will not be enough to ensure a sustainable health and care system. As the Health Foundation report states *“There is a strong link between spending on social care and the NHS, so any increase in unmet need for social care would be likely to lead to a rise in demand for NHS services”*.
50. Following the Parliamentary Review report we look forward to working with the Welsh Government and other organisations in the health and social care sector to develop a plan of action that will deliver the best services to the people of Wales.

Conclusion

51. The complex nature of finances in the Welsh healthcare system, coupled with various external pressures and challenges it faces, indicates that the growth in funding and the more prudent use of existing resources is needed in health and social care. However, this will be very difficult to find and will require difficult choices to be made about public services in Wales.
52. The NHS and Local Government have delivered millions of pounds of recurrent efficiency savings over the past five years, we now need to become more sophisticated in our search for further resource releasing efficiencies. We need to go beyond the delivery of traditional technical efficiencies to think innovatively and consider the efficiency of our

resource allocation, based on a better understanding of the outcomes of spending decisions.

53. To address the challenges, there is a need for radical service transformation, long-term funding solutions and sustained action on social care if the NHS is to make real progress towards achieving long term sustainability.

ⁱ Welsh NHS Confederation, November 2017. Finance and the NHS in Wales.

ⁱⁱ Welsh Government, StatsWales, July 2013. Population projections by local authority and year.

ⁱⁱⁱ Nuffield Trust, June 2014. A Decade of Austerity in Wales?

^{iv} Welsh Government, June 2017. Services and places regulated by CSSIW, March 2017.

<http://careinspectorate.wales/docs/cssiw/publications/170620annualstatsen.pdf>

^v Welsh Government, Stats Wales 2016 – 17 <https://statswales.gov.wales/Catalogue/Health-and-Social-Care/NHS-Hospital-Activity/NHS-Beds/nhsbeds-by-organisation-site>

^{vi} Carers UK, November 2017. Make connections, get support.

^{vii} Carers Trust, November 2015. Valuing Carers 2015 – the rising value of carers’ support.

^{viii} Health Foundation, October 2016. “The path to sustainability: Funding projections for the NHS in Wales to 2019/20 and 2030/31”.

^{ix} Wales Public Services 2025, April 2017 “A delicate balance? Health and Social Care spending in Wales”.

^x Public Policy Institute for Wales, October 2015. The Care Home Market in Wales: Mapping the Sector.

^{xi} Public Policy Institute for Wales, October 2015. The Care Home Market in Wales: Mapping the Sector.

^{xii} Health Foundation, July 2016, NHS Finances Outside the EU.

^{xiii} Health Foundation, October 2016. “The path to sustainability: Funding projections for the NHS in Wales to 2019/20 and 2030/31”.

^{xiv} Health Foundation, October 2016. “The path to sustainability: Funding projections for the NHS in Wales to 2019/20 and 2030/31”.

^{xv} Institute for Public Policy Research, December 2016. Future Proof: Britain in the 2020s.

^{xvi} Wales Audit Office reports.

https://www.wao.gov.uk/publications?combine=&field_topics_tid_i18n=8&field_sectors_tid_i18n=All&create_d_1=All&field_area_tid_i18n_1=All&field_reports_tid_i18n=57

^{xvii} Operational productivity and performance in English NHS Acute Hospitals: Unwarranted variation, Lord Carter February 2016.

^{xviii} House of Lords Select Committee, ‘The Long-term Sustainability of the NHS and Adult Social Care’, 5th April 2017, HL Paper 151.

^{xix} <http://www.nhsconfed.org/media-centre/2017/02/whole-system-shift-towards-preventative-services-needed>

Cost Gofalu am Boblogaeth sy'n Heneiddio, Ymchwiliad y Pwyllgor Cyllid, ymateb Gofal Cymdeithasol Cymru

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Mae Gofal Cymdeithasol Cymru yn gorff a noddir gan Lywodraeth Cymru a sefydlwyd o dan Ddeddf Rheoleiddio ac Arolygu Gofal Cymdeithasol (Cymru), 2016 i ddiogelu, hyrwyddo a chynnal diogelwch a lles y cyhoedd yng Nghymru.

Ein nod yw:

- Rhoi hyder i'r cyhoedd am y gweithlu gofal cymdeithasol
- Arwain a chefnogi gwelliannau mewn gofal cymdeithasol
- Datblygu'r gweithlu blynyddoedd cynnar a gofal cymdeithasol

Pwyntiau allweddol

- **Mae gwasanaethau gofal cymdeithasol yn wynebu pwysau sylweddol yn sgil poblogaeth sy'n heneiddio (paragraff 1)**
- **Mae pwysau ariannol wedi arwain at gyflogau isel yn y sector gofal cymdeithasol sydd wedi cael effaith sylweddol ar recriwtio (paragraffau 2-6)**

I archwilio patrymau yn y galw am wasanaethau gofal cymdeithasol ar gyfer pobl o oed pensiwn a chostau cyflenwi gofal preswyl a dibreswyl, gan gymryd i ystyriaeth rôl gofalwyr anffurfiol sy'n darparu gwasanaethau di-dâl i'r rhai sydd angen gofal

1. Y llynedd, fe wnaethom gomisiynu'r Sefydliad Gofal Cymdeithasol ar gyfer Rhagoriaeth (SCIE) i baratoi arolwg llenyddiaeth am ofal a chymorth yn y cartref. O ran y galw, canfu'r adroddiad fod gwasanaethau gofal cymdeithasol yng Nghymru yn wynebu sialensiau sylweddol:

"Mae'r galw am wasanaethau gofal cymdeithasol a llafur gofal yn tyfu yng nghydestun newidiadau demograffig sylweddol ac amllder ac amlygrwydd cyflyrau cymhleth, hirdymor. Mae'r boblogaeth sy'n heneiddio'n golygu bod dros chwarter y boblogaeth yng Nghymru yn 50 oed neu'n hŷn. Disgwylir i bobl dros 65 oed gynyddu o tua 600,000 yn 2013 i 900,000 yn 2037, ac mae'r nifer o bobl dros 85 oed yn tyfu ar raddfa hyd yn oed yn gyflymach (Age Cymru, 2015). Mae gan Gymru hefyd gyfran uwch o bobl 85 oed neu'n hŷn o'i gymharu â gweddill y DU (StatsCymru, 2012). Mae rhagolygon twf y boblogaeth a phroffil demograffig yn dangos bod yr ochr gyflenwi gofal cymdeithasol yn ei chael hi'n anodd ymdopi â'r galw. Mae'r data'n dangos y bydd angen dros hanner miliwn o weithwyr gofal/gofalwyr cartref newydd ar draws y DU erbyn 2022 (Howat et al., 2015).¹"

I archwilio'r pwysau ariannol ar y system gofal cymdeithasol, fel cynnydd mewn cyflogau, cofrestru pensiwn awtomatig ac anawsterau recriwtio a chadw staff, gan

¹ Datblygu cynllun strategol ar gyfer gofal a chymorth yn y cartref, arolwg llenyddiaeth, Sefydliad Gofal Cymdeithasol ar gyfer Rhagoriaeth (SCIE) ar gyfer Cyngor Gofal Cymru (Gofal Cymdeithasol Cymru bellach), 2016

gynnwys yr effeithiau ariannol cysylltiedig sy'n deillio o'r DU yn gadael yr Undeb Ewropeaidd.

2. Mae pwysau ariannol wedi cael effaith uniongyrchol ar gyflogau gweithwyr gofal cymdeithasol. Mae hynny yn ei dro wedi cael effaith sylweddol ar recriwtio a chadw staff. Mae telerau ac amodau'r gweithlu gofal yn rhwystr recriwtio sylweddol i swyddi sy'n gofyn am lefelau cynyddol o gymhlethdod a sgil a disgwyliadau i gyflawni mwy o dasgau sy'n ymwneud ag iechyd. Mae'r sefyllfa hon yn gwaethygu ymhellach yn sgil y gwahaniaeth rhwng lefelau cyflogau'r GIG a gofal cymdeithasol.
3. Darparodd arolwg llenyddiaeth y SCIE ar ofal yn y cartref dystiolaeth bellach o effaith cyflogau isel ar recriwtio:

Yn gyffredinol, ystyrir bod swyddi rheng flaen yn y sector gofal yn swyddi o statws isel, swyddi â sgiliau isel. Adlewyrchir hyn yn y cyfraddau tâl, gyda'r rhan fwyaf o weithwyr yn cael eu talu ar yr Isafswm Cyflog Cenedlaethol neu'n agos ato. Mae cyflogau isel yn effeithio'n uniongyrchol ar y gallu i recriwtio a chadw staff, yn enwedig yng nghyd-destun sectorau eraill, gan gynnwys manwerthu, sy'n gallu cynnig cyflogau uwch. Mae data diweddar y Swyddfa Ystadegau Gwladol (Kirton, 2015) yn dangos bod diweithdra yng Nghymru, sef 6.4%, bellach yn debyg i'r lefelau a welwyd cyn y dirwasgiad a bod cyflogau wedi perfformio'n gymharol gryf yn y sector manwerthu yn hytrach na'r sectorau cyhoeddus a'r sectorau cysylltiedig sy'n fwy cyfyngedig. Mae'n risg y gallai cyfraddau tâl gofal cymdeithasol ddisgyn ymhellach y tu ôl i sectorau eraill sy'n cystadlu.²

4. Mae cyfyngiadau'r hyn y gellir ei ddisgwyl gan weithwyr gofal am yr hyn y maent yn cael eu talu wedi'i gyrraedd neu wedi mynd ymhellach. Mae hyn yn cael ei weld gyda'r anawsterau wrth recriwtio a chadw gweithwyr gofal a rheolwyr gofal pan na fydd cyfleoedd eraill am waith yn dod â'r un pwysau ac yn cynnig mwy o fudd ariannol.
5. Mae'r gwahaniaeth rhwng cyflogau gweithwyr gofal iechyd y GIG a gweithwyr gofal cymdeithasol yn debygol o fod yn rhwystr mawr i brosesau cydweithio rhwng gofal cymdeithasol ac iechyd yn ogystal â'r awydd i ddarparu'n ddi-dor.
6. Rydym wedi comisiynu ymchwil³ sy'n dangos bod y gweithlu gofal yn y cartref wedi'u hysgogi'n bositif gan eu rôl wrth ddarparu gofal a chymorth, serch hynny, mae hefyd yn awgrymu y gallai telerau ac amodau fod yn rhwystr i bobl a allai fod yn dymuno gweithio yn y sector.
7. Nid yw union effaith gadael yr Undeb Ewropeaidd ar y gweithlu gofal cymdeithasol yng Nghymru yn hysbys ac nid oes gennym ddata cywir o gyfran gweithwyr yr UE yn

² Datblygu cynllun strategol ar gyfer gofal a chymorth yn y cartref: arolwg llenyddiaeth, SCIE

³ 'Ffactorau sy'n effeithio ar recriwtio a chadw gweithwyr gofal yn y cartref a'r graddau y mae'r ffactorau hyn yn effeithio ar ansawdd y gofal', Cyngor Gofal Cymru / Llywodraeth Cymru 2016

y gweithlu gofal cymdeithasol. Yn Lloegr mae'n amrywio o 4 y cant yn y Gogledd Ddwyrain i 12 y cant yng Ngorllewin Canolbarth Lloegr i 39 y cant yn Llundain⁴

I ystyried effaith ariannol polisïau cyfredol Llywodraeth Cymru - gan gynnwys deddfwriaeth gwasanaethau cymdeithasol diweddar a diwygiadau i gyllid gofal cymdeithasol - ar awdurdodau lleol, darparwyr gofal a defnyddwyr gwasanaethau.

8. Mae yna dystiolaeth anecdotaidd eang bod pobl yn ddryslyd ynglŷn â thalu am ofal cymdeithasol pan fo gofal iechyd am ddim ar adeg ei ddarparu. Mae hyn yn arbennig o amlwg pan mae gan bobl anghenion iechyd a gofal cymhleth iawn a/neu hirdymor, a allai hefyd fodloni trothwy gofal iechyd parhaus y GIG.
9. Rydym hefyd wedi derbyn tystiolaeth gan y sector bod cefnogaeth ataliol gan wasanaethau cymunedol a'r trydydd sector yn lleihau, sy'n deillio o gynghorau a chyrff eraill yn ailgyfeirio adnoddau i swyddogaethau statudol a gwasanaethau critigol, oherwydd sialensiau'r gyllideb dros y blynyddoedd diwethaf.

I ystyried anghenion gofal cymdeithasol y dyfodol a chostau cysylltiedig, gan gynnwys y cynnydd a ragwelir yng nghyfran poblogaeth Cymru o oed pensiwn

10. Mae demograffeg ein cymdeithas yn newid, gyda mwy o angen am gefnogaeth gwasanaethau cyhoeddus. Rydym yn gymdeithas sy'n heneiddio. Rhagwelir y bydd nifer y bobl 65 oed a throsodd yn cynyddu 292,000 (44 y cant) rhwng 2014 a 2039⁵. Rydym yn gweld llawer mwy o bobl yn eu blynyddoedd canol gydag anabledau sylweddol sy'n disgwyl byw bywydau cyflawn. Rydym yn gweld llawer mwy o blant ag anabledau neu anfanteision sylweddol sydd â disgwyliadau uchel o ran y gefnogaeth sy'n eu diogelu a'u helpu i gyflawni eu potensial llawn.
11. Mae gwasanaethau gofal cymdeithasol yn wynebu cynnydd gwirioneddol ac anghynaliadwy yn y galw er mwyn diwallu anghenion cymdeithas. Yn ôl y Sefydliad Iechyd, "rhagwelir y bydd y pwysau ar ofal cymdeithasol i oedolion yn codi'n gyflymach na'r GIG, sef 4.1% y flwyddyn ar gyfartaledd. Gyda nawdd yn annhebygol o godi ar yr un raddfa, mae yna risg go iawn y gallai lefel yr angen sydd heb ei ddiwallu ar gyfer gwasanaethau gofal godi yng Nghymru."⁶

⁴ Cyflwr y sector a'r gweithlu gofal cymdeithasol i oedolion yn Lloegr, 2017, Sgiliau ar gyfer Gofal

⁵ Rhagolygon poblogaeth cenedlaethol, Swyddfa Ystadegau Gwladol a Llywodraeth Cymru, 2015

⁶ Y llwybr at gynaliadwyedd: Rhagolygon cyllido i'r GIG yng Nghymru tan 2019/20 a 2030/31, Y Sefydliad Iechyd, 2016

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon



National Assembly for Wales Consultation:
The Cost of Caring for an Ageing Population
Submission by Wales Public Services 2025

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Wales Public Services 2025

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Summary

The evidence set out in this paper primarily comes from our analysis of local government spending in Wales through the period of austerity (2009-10 to 2016-17)¹, including on social care for the over-65s. It therefore covers only one aspect of the costs of caring for an ageing population and there are several caveats:

- Gaps in the current published data for Wales mean that we have not been able to directly associate changes in social care spending to changes in the health and wellbeing of service users and carers. We cannot comment on the level of public spending required in order to reach a specific 'quality' of care services in future.
- For reasons we set out below, the data we draw on may not fully capture the developing, but patchy, trend towards more integrated working between local authorities and the NHS, for example through the Regional Partnership Boards, the use of Section 33 pooled budgets and the Integrated Care Fund.
- Our paper does not cover the complex issues surrounding demographic pressures on health spending. We note the comment from the Office for Budget Responsibility that 'demographic effects have explained only a small part of the increase in health spending over past decades and they are likely to remain a relatively small, although growing, driver of spending in the future'.²

Patterns in demand for social care services for those of pension age:

- Net current spending on social services for over-65s by Welsh local authorities in 2016-17 was £ 565 million, about 10% of total net service spending. Although Welsh local authorities have broadly protected real terms spending on social services as a whole through the period of austerity, the pattern across client groups has varied. Whereas spending on looked after children rose substantially, net local authority expenditure on older adult (aged 65+) social care services declined slightly, by 0.8 per cent (£4.3m in 2017-18 prices), between 2009-10 and 2016-17. Given the rising population of over-65s, this was equivalent to a reduction of 14.4 per cent per older person.

¹ <http://www.walespublicservices2025.org.uk/files/2017/11/Austerity-and-Local-Government.pdf>

² http://cdn.obr.uk/FSR_Jan17.pdf

- This appears to have been accompanied by a more targeted approach to spending. The data points to a decline in the number of older adults supported by local authorities, despite a growing population. However, available data indicates the possibility of a significant (17%) increase in the level of spending per service user, which may reflect changes in local level eligibility criteria for support and a focus on individuals with relatively higher needs.
- The English Longitudinal Study of Aging (ELSA) provides one model in which the Welsh Government could invest so as to monitor how the health and wellbeing of pension age adults and those around them is effected by public policy.

Future social care needs and related costs

- The best available evidence on the future costs of providing adult social care in Wales³ suggests that demand for adult care (that is, care services for all individuals aged 16 and over) should be rising by around 4.1% a year from 2015 up to 2030-31 due to demography, chronic conditions and rising costs.
- The general direction of this projection is supported by recently forecast trends in disability and life expectancy in England and Wales up to 2025.⁴ According to this research, although total life expectancy at age 65 years will increase by 1.7 years up to 2025, life expectancy with disability will increase more in relative terms, with an increase of roughly 15% from 2015 (4.7 years) to 2025 (5.4 years) implying greater age-specific demand pressures on older adult care services.
- The rising number of over-65s mean that maintaining 2016-17 levels of local authority spending per adult aged 65+ on social care over the next decade would require an 18.0 per cent (£101m) real terms rise in net current expenditure by 2026-27, or a 27.2 per cent (£154m) rise by 2030-31. The Health Foundation demand projections would point to a much bigger real terms increase: 83% by 2030-31 (around £470 million).

³ Watt and Roberts (2016), 'The path to sustainability: Funding projections for the NHS in Wales to 2019/20 and 2030/31', available here: http://www.health.org.uk/sites/health/files/PathToSustainability_0.pdf

⁴ Guzman-Castillo et al. (2017), 'Forecasted trends in disability and life expectancy in England and Wales up to 2025: a modelling study', *Lancet Public Health*, available here: [http://www.thelancet.com/pdfs/journals/lanpub/PIIS2468-2667\(17\)30091-9.pdf](http://www.thelancet.com/pdfs/journals/lanpub/PIIS2468-2667(17)30091-9.pdf) .

- However, these estimates only project what is required in order to maintain a specific supply of services based on a fixed starting position and policy mix, with arbitrary importance therefore placed on the chosen base year of analysis.

The fiscal levers available to the Welsh Government

- There may be limits to the extent to which Council Tax can be used to generate significant additional funding. Collected council tax (currently around £1.5 billion a year) increased by 20.6% in real terms between 2009-10 and 2016-17, partially offsetting reductions in Welsh Government funding for local government. A regressive tax as it currently operates, council tax now accounts for a higher proportion of average household disposable income in Wales than in 2009-10.
- Wales' devolved tax powers open up new financing options although the challenge remains substantial. A recent estimate indicated that changing the Welsh rate of income tax by 1p across each band could lead to an increase in the Welsh resource budget of around £200 million a year (subject to behavioural responses), although further research is taking place. Other factors such as change in UK fiscal policy or growth in the Welsh economy could have a significant impact. As things stand the use of devolved tax powers could be part of the solution but may not offer the whole solution.
- This suggests that further options need to be explored. Proposals for a funded contributory system of financing older adult care represent a promising alternative to the current pay-as-you-go model in that it could promote intergenerational fairness and value for money.
- The UK has some of the highest rates of 'intensive' informal caregiving in Europe (defined as 11+ hours of care per week), which is associated with lower levels of mental well-being. New data is required to evidence possible policy responses, from which future cost projections and fiscal lever options can be decided.

Introduction

The present submission to the National Assembly for Wales' consultation into the financial impact of the cost of caring for an ageing population will seek to address the following three items from within the inquiry's broader terms of reference:

1. To examine patterns in demand for social care services for those of pension age;
2. To consider future social care needs and related costs, including the projected increase in the proportion of the population of Wales of pension age; and
3. To assess the fiscal levers available to the Welsh Government to reform the arrangements for funding social care.

One key limiting factor common across our response to each of these questions is the current deficit in published data from which to directly associate changes in social care spending with the health and wellbeing of service users and carers in Wales. As a result, we are not able to specify a 'correct' amount of public expenditure in any given period, as defined by an objective and measurable metric of health and wellbeing outcomes for all adults of pension age, whether or not they receive formal local authority organised care support.

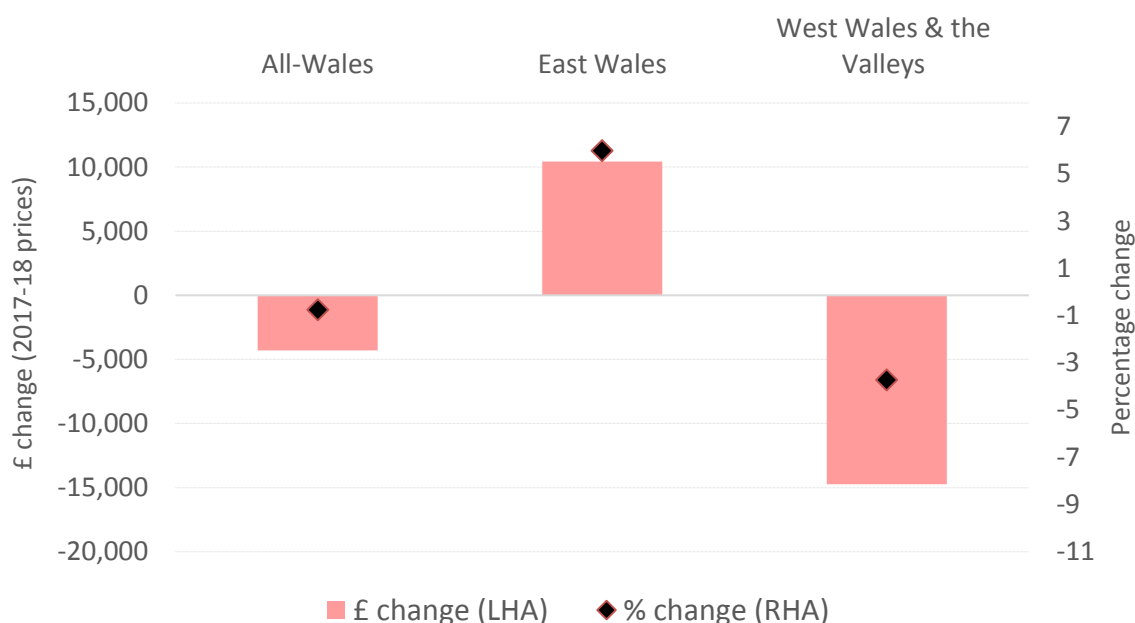
The recent Parliamentary Review of Health and Social Care in Wales has stressed the importance of developing a national health and social care data resource to drive decision making and improve health and care quality.⁵ . As we discuss below, longitudinal data available in England offers one model in which the Welsh Government could choose to invest.

⁵ See Annex C, Recommendation 7: Innovation, Technology and Infrastructure (<http://gov.wales/docs/dhss/publications/180116reviewen.pdf>)

1. Patterns in demand for social care services for those of pension age

Across Wales, total net public expenditure on older adult (aged 65+) social care services declined by 0.8 per cent (£4.3m in 2017-18 prices) between 2009-10 and 2016-17.⁶ Figure 1 shows that this net decrease was led principally by regions in West Wales and the Valleys, where spending declined by 3.7% (14.7m). Nonetheless, the revenue outturn figures demonstrate a clear prioritisation of older adult social care services relative to most other local service areas (see Table 1). Indeed, between 2009-10 and 2016-17, older adult social care rose as a share of total local authority service expenditure by an average of 0.8 percentage points across Wales (1.1 pts in East Wales; 0.7 pts in West Wales and the Valleys).

Figure 1: Change in net current expenditure on older adult (aged ≥65) social care by region, 2009-10 to 2016-17 (2017-18 prices)



Source: Local government revenue outturn data (available here: <https://statswales.gov.wales/Catalogue/Local-Government/Finance/Revenue/Outturn/revenueoutturnexpenditure-by-authority>)

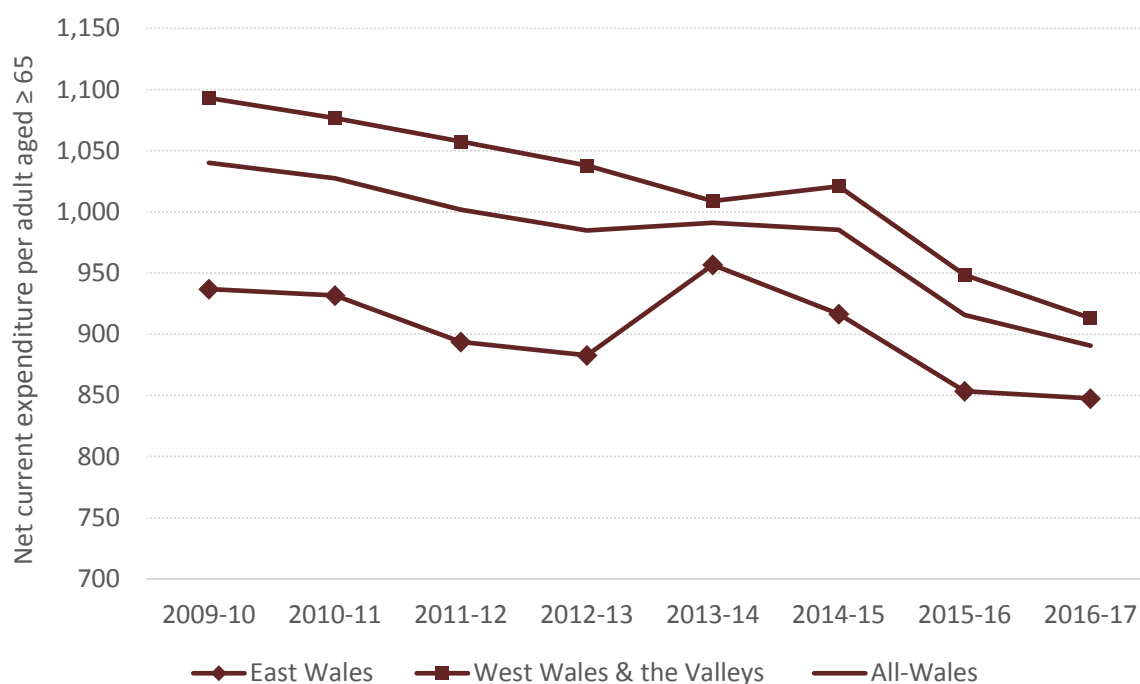
Given the trend in Wales' ageing population, this slight decline in total revenue spending meant that spending on a per head basis decreased by 14.4 per cent between 2009-10 and 2016-17, equivalent to £149 per adult aged 65 and over.⁷ Regionally, this decline was more

⁶ Note that all revenue outturn figures quoted here related to older adult social care reflect 2017-18 prices and have been adjusted to include separate funds pertaining to service strategy for all adult care services. In 2016-17 this came to £9.5m which we then divided proportionately between older and younger adult service spending.

⁷ In 2009-10, adults aged 65+ made up 18.0 per cent of Wales' population (547,597). By 2016-17, their share had risen to 20.4 per cent (635,659).

pronounced in West Wales and the Valleys (16.5%; £180 per head) compared to East Wales (9.5 %; £90 per head), although as can be seen from Figure 2, spending in the latter region remained below the former throughout the period. In nine local authorities spending per head declined by around a fifth or more.

Figure 2: Region specific trend in per capita (aged ≥65) expenditure on older adult social care, 2009-10 to 2016-17 (2017-18 prices)



Source: Local government revenue outturn data (available here: <https://statswales.gov.wales/Catalogue/Local-Government/Finance/Revenue/Outturn/revenueoutturnexpenditure-by-authority>) and population estimates by local authority (available here: <https://statswales.gov.wales/Catalogue/Population-and-Migration/Population/Estimates/Local-Authority>).

That total spending on older adult services declined over the recent period may seem anomalous, particularly given the presumed demand pressures that accompany an ageing population. Between 2009-10 and 2016-17, the area that saw the most significant growth within local authorities' broader social care budgets was looked after children, which rose by 37 per cent (£72m) in real terms, reflecting a rise in the number of children requiring care support services annually (up 27% since 2009).⁸ Linked to this, one explanation might be that service teams have switched focus over the recent period of austerity toward concentrating

⁸ Data available from StatsWales: <https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Social-Services/Childrens-Services/Children-Looked-After>.

support on a smaller number of relatively higher needs individuals given the statutory flexibility within which care eligibility is determined.

Both the new statutory framework brought about by the Social Services Well-being (Wales) Act 2014 (effective April 2016), as well as the previous regulations (NHS and Community Care Act 1990), afford councils a significant amount of discretion in determining whether an individual's care needs are eligible for local authority support (see the Annex). The implication is that councils are not bound to support all adults in all circumstances. This may in turn highlight the importance of informal networks.

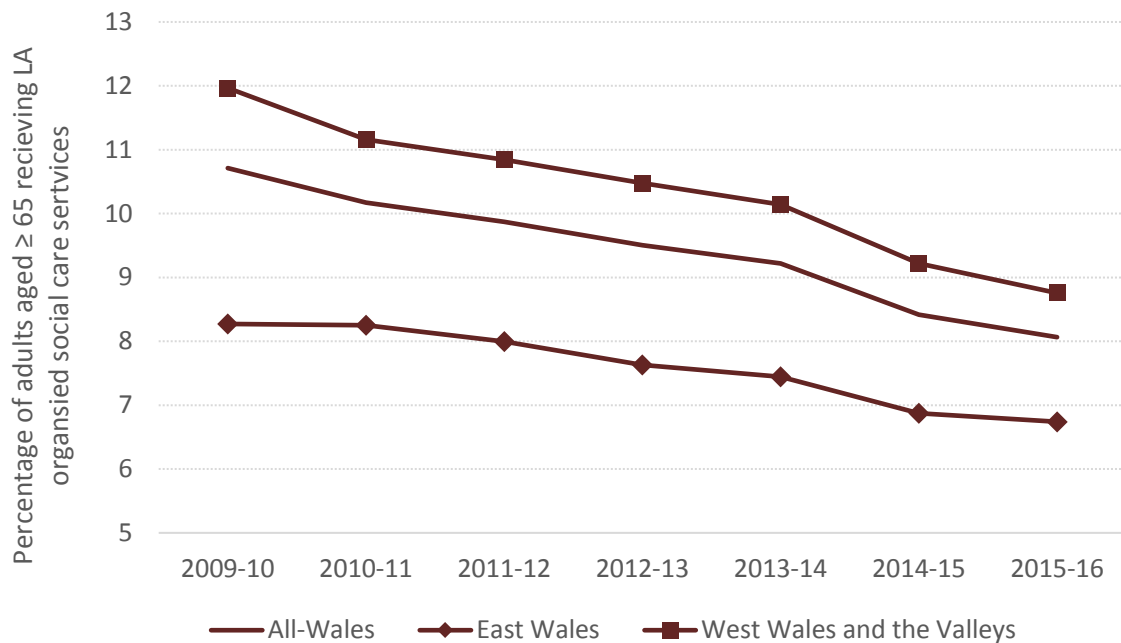
As a result of this flexibility, analysing both historic and future patterns of demand may be complicated by changes in what constitutes 'effective demand' (i.e. the number of pension age adults seeking local authority support that are also deemed eligible).

Data available for the period 2009-10 to 2015-16 shows that the total number of older adults supported by one or more kinds of local authority organised care services declined by 14.1 per cent, or 2.6 percentage points as proportion of the older adult population (Figure 3). One explanation may be a trend towards tightening local care package eligibility criteria. As a result, spending per service user apparently rose by 17.0 per cent across Wales (11.8% East Wales; 18.6% West Wales and the Valleys), equivalent to £1,646 per head (£1,336 East Wales; £1,696 West Wales and Valleys) by 2015-16 (Figure 4).

However, newly available data showing service user frequencies produced for the first time using the computerised Welsh Community Care Information System (WCCIS) in 2016-17 does cast some doubt over the accuracy of previous years' reported figures, which appear to show a significant downward bias.⁹ Whether or not older adult social care spending has become concentrated, it is apparent that predictions of increased service demand pressures resulting from Wales' rapidly aging population are not clearly reflected in the latest available local government revenue outturn figures.

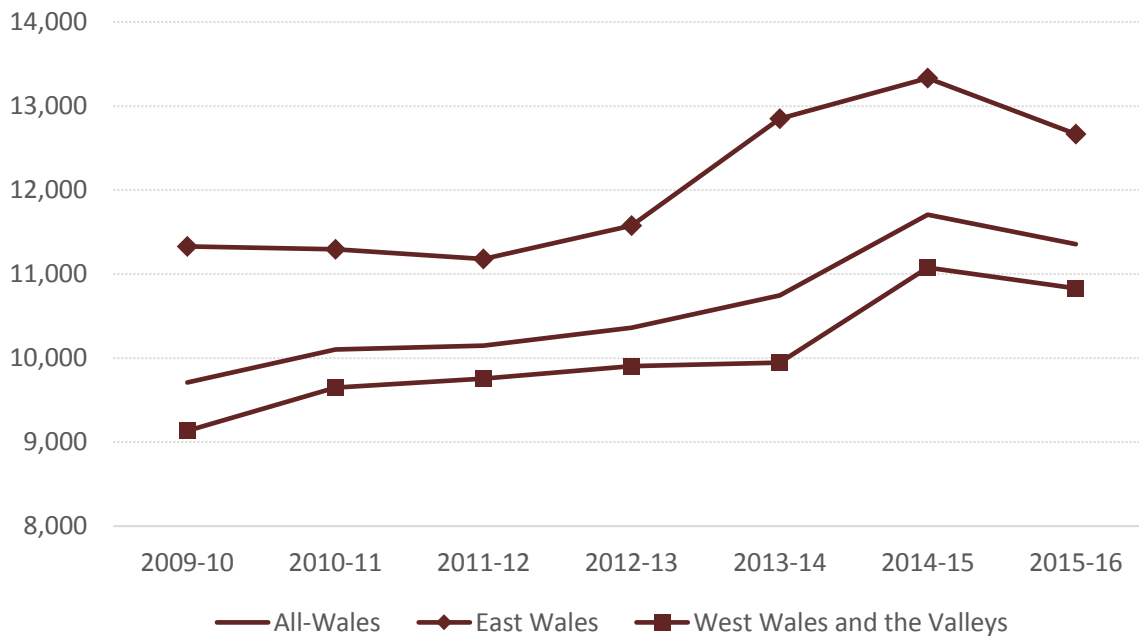
⁹ The WCCIS service provision data shows that in 2016-17 there were 62,598 older adults recorded as receiving one or more forms of support; a figure which does not include figures for Merthyr Tydfil and Carmarthenshire which were unable to collate data (see source: <https://stats.wales.gov.wales/Catalogue/Health-and-Social-Care/Social-Services/Adult-Services/Service-Provision/adultsreceiving-services-by-local-authority-client-category-age-group>). By contrast, previous year's figures show a steady decline in provision from 2009-10 (58,657) to 2015-16 (50,386). Although a sharp rise in provision between 2015-16 and 2016-17 is feasible, the shift in trend does suggest that data collected prior to the WCCIS system in April 2016 may be less accurate. However, so long as any downward bias remained consistent over the period 2009-10 to 2015-16, then the general pattern shown in Figure 4 would remain valid.

Figure 3: Region specific trend in adults aged ≥ 65 recorded as receiving LA organised social care support as a proportion of the total older adult population, 2009-10 to 2015-16



Source: Adults receiving services by client category (<https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Social-Services/Adult-Services/Service-Provision/Prior-to-April-2016/adultsreceivingervices-by-localauthority-clientcategory-age>)

Figure 4: Region specific trend in spending per adult aged ≥ 65 recorded as receiving social care support, 2009-10 to 2015-16



Source: Adults receiving services by client category (<https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Social-Services/Adult-Services/Service-Provision/Prior-to-April-2016/adultsreceivingervices-by-localauthority-clientcategory-age>)

We have not been able to analyse whether any changes to the way services were organised over the period 2009-10 to 2016-17 resulted in significant efficiencies without impact on service quality or to the well-being of those deemed ineligible for support. A recent report by the Royal College of Occupational Therapists showed that following a review into 227 care packages in the Cardiff area between April 2015 and March 2016, the council was able to save £395,279 due to individual care packages being right-sized to actually better meet service user needs.¹⁰

It is not clear whether spending of income from the Welsh Government's Integrated Care Fund (ICF) is ultimately recorded in local government revenue outturn figures. This may affect the trends observed.¹¹ However, if local authorities are indeed responding to heightened resource pressures by applying more restrictive eligibility criteria, the impact that this may be having on the health and well-being of those deemed ineligible will be very difficult to measure directly in Wales .

In England, the English Longitudinal Study of Aging (ELSA) – drawing on a representative cohort of over 10,000 men and women aged ≥50 years and funded by the UK Government, – contains information on the health status and support received by older people who report difficulty with various daily activities.

Investment by the Welsh Government into representative longitudinal data sources that can monitor the interaction between older people with varying degrees of life-limiting conditions and local public services could significantly improve the evidence base on which both current and future resource allocations are made. Although the correctional National Survey for Wales¹² does contain a limited number of questions pertaining to social care services (specifically, the subjective rating of the quality of care received by service users and their carers), investment in longitudinal data that includes objective measures such as biomarker data¹³ would allow policy makers to determine the specific patterns of support that appear to

¹⁰ <http://3clw1r2j0esn1tg2ng3xziww.wpengine.netdna-cdn.com/wp-content/uploads/2017/07/ILSM-Phase-II-WELSH-ENGLISH.pdf>

¹¹ NHS Wales Health Boards act as a lead organisation for the ICF and paid the full funds. If a local authority incurs a cost as part of activities associated to the aims of the fund – that is, supporting people to maintain their independence and remain in their own home – then the health board would pass the relevant funding on to the local authority which would appear as income from joint arrangements in the revenue outturn figures. However, we are not aware of any source which details how much of the ICF (£60m in 2017-18) is maintained by the Health Boards and is hence excluded from our analysis.

¹² http://gov.wales/statistics-and-research/national-survey/?tab=el_home&topic=nhs_social_care&lang=en

¹³ Biomarkers have been defined as a characteristic that is objectively measured and evaluated as an indicator of normal biological processes, pathogenic processes, or pharmacologic responses to a therapeutic intervention. Examples include resting heart rate, grip strength and measures of inflammation such as C-reactive protein (CRP).

promote healthy ageing in the Welsh population at present, from which benchmark health and service delivery targets could be subsequently formed.

Table 1: Changes in older adult social care spending, 2009-10 to 2016-17 (2017-18 prices)

	LA spending (2017-18 prices)		Percentage (ppt) change
	2009-10	2016-17	
All-Wales			
Older adult (≥65) social care (£m)	569.6	565.3	- 0.8
Per capita (£)	1,040	891	-14.4
<i>% of total service spending</i>	<i>9.1</i>	<i>9.9</i>	<i>0.8</i>
East Wales			
Older adult (≥65) social care (£m)	174.2	184.6	6.0
Per capita (£)	937	848	-9.5
<i>% of total service spending</i>	<i>8.1</i>	<i>9.1</i>	<i>1.1</i>
West Wales and the Valleys			
Older adult (≥65) social care (£m)	395.4	380.6	-3.7
Per capita (£)	1,093	913	-16.5
<i>% of total service spending</i>	<i>9.7</i>	<i>10.4</i>	<i>0.7</i>

Source: Local government revenue outturn data (available here: <https://statswales.gov.wales/Catalogue/Local-Government/Finance/Revenue/Outturn/revenueoutturnexpenditure-by-authority>) and population estimates by local authority (available here: <https://statswales.gov.wales/Catalogue/Population-and-Migration/Population/Estimates/Local-Authority>).

Summary:

- Net public expenditure on older adult (aged 65+) social care services declined by 0.8 per cent (£4.3m in 2017-18 prices) between 2009-10 and 2016-17, equivalent to 14.4 per cent per head.
- This appears to have been accompanied by a decline in the number of older adults supported by local authorities, which may indicate a tightening of local level eligibility criteria for support.
- The English Longitudinal Study of Aging (ELSA) provides one model in which the Welsh Government could invest so as to monitor how the health and wellbeing of pension age adults and those around them is effected by public policy.

2. Future social care needs and related costs

As we have noted in previous work,¹⁴ the best available evidence on the future costs of providing adult social care in an aging Wales has been produced by the Health Foundation. This suggests that demand for adult care (that is, care services for all individuals aged 16 and over) should be rising by around 4.1 per cent a year from 2015 up to 2030-31 due to demography, chronic conditions and rising costs.¹⁵ Total adult social care spending came to £1.14 billion in 2015-16 (2017-18 prices), meaning that a 4.1 per cent annual rise would see net public spending increase by 945 million (82.7%) by 2030-31. Applying this rate of change to older adult social care spending alone would see costs rise by £468.7 million.¹⁶

The general direction of the Health Foundation's projection is supported by recently forecast trends in disability and life expectancy in England and Wales up to 2025.¹⁷ According to this research, although total life expectancy at age 65 years will increase by 1.7 years up to 2025, life expectancy with disability will increase more in relative terms. For this group, it forecasts an increase of roughly 15 per cent from 2015 (4.7 years) to 2025 (5.4 years) implying greater age-specific demand pressures on older adult care services. This would compound the fiscal pressures associated with an ageing population.

In previous work, we also showed that simply uprating older adult social care expenditure at the local government level by the expected growth in the adult population aged 65 and over would see expenditure rise by 24 per cent in 2020-21 relative to 2015-16 if spending per head on older adult social care were returned to pre-austerity levels in 2009-10. If we take 2016-17 as our base year, maintaining this level of spending (£890 per older adult) over the next decade would require an 18.0 per cent (£101m) rise in net current expenditure by 2026-27, or a 27.2 per cent (£154m) rise by 2030-31.¹⁸

¹⁴ Luchinskaya et al. (2017), 'A delicate balance? Health and Social Care spending in Wales', available here: http://www.walespublicservices2025.org.uk/files/2017/03/Wales-health-and-social-care-final_amended_04-2017.pdf.

¹⁵ Watt and Roberts (2016), 'The path to sustainability: Funding projections for the NHS in Wales to 2019/20 and 2030/31', available here: http://www.health.org.uk/sites/health/files/PathToSustainability_0.pdf.

¹⁶ Author's calculation based on local government revenue outturn figures.

¹⁷ Guzman-Castillo et al. (2017), 'Forecasted trends in disability and life expectancy in England and Wales up to 2025: a modelling study', *Lancet Public Health*, available here: [http://www.thelancet.com/pdfs/journals/lanpub/PIIS2468-2667\(17\)30091-9.pdf](http://www.thelancet.com/pdfs/journals/lanpub/PIIS2468-2667(17)30091-9.pdf).

¹⁸ Authors calculations based on 2016-17 local government revenue outturn data and 2014-based ONS population projections (available here: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/ablea15principalprojectionwalessummary>).

These projections cannot tell us much about the level of public spending required in order to reach a specific 'quality' of care services or achieve specific public health outcomes in future. For example, the Health Foundation's projections were based on an updated version of the Personal Social Services Research Unit's (PSSRU) aggregate long-term care projections model adapted for the Welsh population's age structure. The approach taken involves simulating the impact on demand for care and support services of specified changes in demand drivers/cost pressures or specified changes in policy. This means that the projections reported in the Health Foundation's paper should be treated as indications of likely future expenditures on care and support if policies are left unchanged and drivers of demand follow the specified trends.

In effect, such estimates only project what is required in order to maintain a specific supply of services based on a fixed starting position, with arbitrary importance therefore placed on the chosen base year of analysis. As noted above, investment by the Welsh Government into a nationally representative longitudinal data source pertaining to pension age adults would enable researchers to investigate potential funding deficits now, which would thereafter facilitate a more 'outcome focussed' projection of costs in future periods.

Summary:

- The best available evidence on the future costs of providing adult social care in Wales suggests that demand for adult care (that is, care services for all individuals aged 16 and over) should be rising by around 4.1% a year from 2015 up to 2030-31 due to demography, chronic conditions and rising costs.
- Maintaining 2016-17 levels of spending per adult aged 65+ over the next decade would require an 18.0 per cent (£101m) rise in net current expenditure by 2026-27, or a 27.2 per cent (£154m) rise by 2030-31.
- However, these estimates only project what is required in order to maintain a specific supply of services based on a fixed starting position and policy mix, with arbitrary importance therefore placed on the chosen base year of analysis.

3. Fiscal levers available to the Welsh Government

Changes to the structure of council revenues since 2009-10 in Wales have reflected a significant rebalancing of how local government is funded, which has important implications for the long term funding of adult social care services.

Publicly funded local government services (otherwise known as net service spending or net current expenditure), including adult social care services, are financed via three principle streams of revenue: Welsh Government grants (the general revenue support grant, RSG, plus hypothecated specific and special grants earmarked for particular services), council tax and non-domestic rates (NDR).¹⁹ Table 2 shows that between 2009-10 and 2016-17, an £805 million (16.2%) reduction in Welsh Government grant support to local government prompted a 20.6 per cent increase in total collected council tax revenues, equivalent to an additional £246 million.

Table 2: Local government revenues by source, 2009-10 to 2016-17 (2017-18 prices)

	LA spending (£m)		Percentage (ppt) change
	2009-10	2016-17	
All-Wales			
Welsh Government grants (ex. HB)*	4,975	4,170	-16.2
<i>% of total revenues</i>	<i>70.2</i>	<i>63.6</i>	<i>-6.6</i>
Council tax (collected)*	1,199	1,445	20.6
<i>% of total revenues</i>	<i>16.9</i>	<i>22.0</i>	<i>5.1</i>
NDR	913	943	3.3
<i>% of total revenues</i>	<i>12.9</i>	<i>14.4</i>	<i>1.5</i>
Total	7,087	6,558	-7.5

Note: *Council tax receipts are net of council tax benefit/reduction scheme which has been included within both the 2009-10 and 2016-17 Welsh Government grant figures.

Source: Financing of gross revenue expenditure (available here: <https://statswales.gov.wales/Catalogue/Local-Government/Finance/Revenue>) and in-year council tax collection (available here: <https://statswales.gov.wales/Catalogue/Local-Government/Finance/Council-Tax/Collection>).

¹⁹ All figures referring to Welsh Government grants exclude, for the purpose of this analysis, revenues accruing to Welsh unitary authorities in relation to housing benefit and housing benefit administration, which is sent directly to Welsh councils from DWP to match demand. Any additional sums spent by Welsh councils on housing benefit and housing benefit administration over and above the amount they receive from the UK government are included, although these figures are relatively negligible in size.

Council tax is widely regarded as structurally regressive between households,²⁰ and the Welsh Government has already committed itself to making council tax more progressive²¹, possibly by changes to the banding structure. However, with further increases to the average Band D rate of around 4-5% expected across many councils in 2018-19,²² alternative sources of revenue might be considered by the Welsh Government

The Wales Centre Public Policy are currently undertaking research looking at the implications of the new Welsh rates of income tax effective April 2019. Previous estimates have indicated that changing the Welsh rates of income tax by 1p across each band would lead to an increase in the Welsh overall resource budget of about £200 million (assuming no behavioural response),²³ although the Welsh Government has committed to maintain the current income tax rate for the duration of the current Assembly term (until May 2021).²⁴

A prominent alternative solution to funding adult social care through piecemeal budgetary increments was recently outlined by Professor Gerald Holtham.²⁵ This would involve the creation of a funded contributory system for older people's care in order to mitigate demographic risk and give value to Welsh contributors through what would, in effect, be the creation of a sovereign wealth fund for Wales. This proposal has attracted much interest as an alternative to the current pay-as-you-go model of financing social care. Estimates as to the amount such a fund would need to release each year in order to meet demand will depend in part on the quality of cost projections.

The contribution from those providing informal care will be a key element in future resourcing of social care for over 65's. Recent research distinguishes between informal care giving and

²⁰ Although low-income households will be exempt from paying council tax via the CTRS, council tax is regressive in the sense that you pay a lower percentage of property value the more valuable the property is, and there is an upper limit on payments. See IFS (2015), 'Little sense of direction in tax and benefit proposals', available here: <https://www.ifs.org.uk/publications/7735>.

²¹ See p.13 of the Programme for Government (Take Wales Forward 2016-2021) document for this commitment, available here: <http://gov.wales/about/programme-for-government/?lang=en>.

²² <https://www.walesonline.co.uk/news/wales-news/how-much-every-authority-wales-13936534>

²³ See Luchinskaya et al. (2017), 'Welsh Government Budgetary Trade-offs: Looking Forward to 2021-22', available here: <http://www.walespublicservices2025.org.uk/files/2017/09/Looking-Forward-Report-Final-Updated.pdf>

²⁴ Welsh Government. (2017a). Welsh rates of income tax FAQs. Retrieved from: <http://gov.wales/docs/caecd/publications/171204-income-tax-faqs-en.pdf>

²⁵ Holtham (2017), 'The promise of social care: Why Wales needs a community insurance fund and how to organise', available here: <http://welsheconomicchallenge.com/wp-content/uploads/WNIfund-Proposal-Social-care.pdf>

'intensive' informal care giving (defined as 11+ hours per week). It concludes that 'intensive' informal care giving is associated with lower levels of mental well-being, particularly among female 'intensive' caregivers on whom a disproportionate share of 'intensive' caregiving falls. The UK has been shown to rank 16th highest out of twenty European nations surveyed in terms of the prevalence of 'intensive' informal care giving, according data from the European Social Survey²⁶ (Round 7, collected 2014).²⁷

This research found that countries with high overall numbers of informal caregivers tend to have lower numbers of intensive caregivers (for example, Nordic countries), which suggests that generous welfare states stimulate taking up a caring role, while at the same time taking away the necessity of intensive caring.

We suggest that any projection of the future resource needed to fund adult social care should take account of the pressures on those providing intensive informal care and the support they require. Again, such estimates would require the facility of new data able to capture the extent of informal care activity in Wales and its impact longitudinally on the health and well-being of care recipients and providers.

²⁶ The European Social Survey (Round 7) offers information on 37 623 respondents from 22 national random samples collected through face-to-face interviews. Complete information on the survey, including questionnaires, is available from <http://www.europeansocialsurvey.org>.

²⁷ Verbakel et al. (2017), 'Informal care in Europe: findings from the European Social Survey (2014) special module on the social determinants of health', European Journal of Public Health, available here: https://academic.oup.com/eurpub/article/27/suppl_1/90/3045950.

Summary:

- The UK has some of the highest rates of 'intensive' informal caregiving in Europe (defined as 11+ hours of care per week), which is associated with lower levels of mental well-being. New data is required to evidence possible policy responses, from which future cost projections and fiscal lever options can be decided.
- Meeting projected demand pressures on older adult social care services should consider the effects of raising the additional resource locally via council tax versus at the Welsh Government level through use of Wales' new income tax powers.
- A funded contributory system of financing older adult care represents a promising alternative to the current pay-as-you-go model in that it promotes intergenerational fairness and value for money.

Annex A

Note on care assessments

Section 47(1) (b) of the 1990 Act placed a duty on local authorities to decide whether, following assessment, an adult's needs required a service to be provided, with any such determination made through reference to statutory guidance.²⁸ According to the guidance document (see paragraph 5.15), it was for individual local authorities to draw the line of eligibility according to their own local circumstances, albeit within a framework whereby eligibility is set at one of four bands: low, moderate, substantial or critical.²⁹ A similar discretion has been maintained by the implementing regulations of the 2014 Act (see the Care and Support (Eligibility) (Wales) Regulations 2015, regulations 3(a)-(d)). These regulations create what has been dubbed the '*can and can only*' criteria for eligibility, whereby an adult seeking care support is assessed to see if their needs can be sufficiently met by support coordinated by themselves, their family or carer, or by community-based services.³⁰

While some commentators have noted that this criteria is conceptually flawed to the extent that it confuses 'eligible need' with access to support that may be leveraged in order to meet said need,³¹ it is clear that councils will not be duty bound to provide support to adults in all instances given the complex calculus involved in the '*can and can only*' test, which appears to place emphasis on informal support networks.

²⁸ Creating a Unified and Fair System for Assessing and Managing Care – Welsh Assembly Government (2002), available here: <http://www.wales.nhs.uk/sitesplus/documents/829/wag%20-%20creating%20a%20unified%20and%20fair%20system%20for%20assessing%20and%20managing%20care.pdf>

²⁹ CSSIW (2010), 'National Review of Access and Eligibility in Adults' Social Care - Overview Report', available here: <http://arolygiaethgofal.cymru/docs/cssiw/report/100927eligibilityen.pdf>.

³⁰ <http://www.communitycare.co.uk/2015/05/11/welsh-government-unveils-can-can-eligibility-test-social-care/>
<http://gov.wales/docs/phhs/consultation/141104Pt3and4execsummaryen.pdf>

³¹Page 15.

https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=0ahUKEwjlo5i86ILZAhVCLFAKHUlyDHIQFgg7MAM&url=http%3A%2F%2Fwww.lukeclements.co.uk%2Fwp-content%2Fuploads%2F2017%2F09%2FWales-SS-Well-being-Act-25.pdf&usq=AOvVaw17XHf6ZZE6_fGzEKcwwvqQ

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Wales Public Services 2025

The Wales Public Services 2025 Programme is investigating the long-term financial, demographic and demand pressures confronting public services in Wales and possible responses. Hosted by Cardiff Business School and independent, the Programme is a unique partnership between Cardiff University and five national bodies in Wales: the Welsh Local Government Association, SOLACE Wales, the Welsh NHS Confederation, the Wales Council for Voluntary Action and Community Housing Cymru.

Our goal is to create a civic space in which public servants, civil society, politicians and people across Wales can engage in open, informed, radical debate on how our public services need to change and what we need to do to get there.

Established in 2012, the Programme works with national bodies, research bodies and think tanks across the UK, including the Institute for Fiscal Studies, the Health Foundation, the Public Policy Institute for Wales, Wales Local Government Association, the Wales Audit Office and others.

For further information please visit our website at www.walespublicservices2025.org.uk

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon

Mae cyfyngiadau ar y ddogfen hon

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon

Y Pwyllgor Cyllid

Ymchwiliad i'r tanwariant sy'n deillio o Benderfyniadau'r Bwrdd Taliadau

Ymatebion i'r Ymgynghoriad Chwefror 2018

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Finance Committee

Inquiry on the Remuneration Board's Determination Underspend

Consultation Responses February 2018

*Ar gael yn Gymraeg /Available in Welsh

RBU 01	Awdurdod Taliadau Seland Newydd	New Zealand Remuneration Authority
RBU 02	Assemblée Nationale	Assemblée Nationale
RBU 03*	Bwrdd Taliadau	Remuneration Board
RBU 04	Bwrdd Taliadau Riksdag	Riksdag Remunerations Board
RBU 05	Audit Scotland	Audit Scotland
RBU 06*	Comisiwn y Cynulliad	Assembly Commission
RBU 07	Gweinyddiaeth Riksdag Sweden	Swedish Riksdag Administration
RBU 08	Tŷ'r Cyffredin	House of Commons
RBU 09*	Archwilydd Cyffredinol Cymru	Auditor General for Wales
RBU 10	Senedd Seland Newydd	New Zealand Parliament
RBU 11*	Ysgrifennydd y Cabinet dros Gyllid	Cabinet Secretary for Finance
RBU 12	Senedd yr Alban	The Scottish Parliament
RBU 13	Cynulliad Gogledd Iwerddon	Northern Ireland Assembly
RBU 14	Awdurdod Safonau Seneddol Annibynnol	Independent Parliamentary Standards Authority
RBU 15	Swyddfa Archwilio Gogledd Iwerddon	Northern Ireland Audit Office
RBU 16	Y Swyddfa Archwilio Genedlaethol	National Audit Office



[BY EMAIL]

12 December 2017

Mr Simon Thomas
Chair
Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA
WALES

Dear Mr Thomas

National Assembly for Wales's Remuneration Board's Determination Underspend

The Remuneration Authority (the Authority) has asked me to reply to your letter of 8 December 2017 regarding the Finance Committee of the National Assembly of Wales inquiry to establish how other parliaments' budget for expenditure related to members' pay and allowances.

New Zealand members of Parliament salaries, superannuation, allowances, and accommodation services are determined by the Authority, which is an independent statutory board established under the Remuneration Act 1977.

The Authority is also responsible for determining the remuneration (sometimes including fees, allowances, superannuation and annuities) for a wide range of senior public office holders within New Zealand including the Governor-General, judicial officers, elected members of local authorities and a variety of statutory officers. Please see our website for further information on our work: <http://remauthority.govt.nz/>.

Two government departments are responsible for the administration of the Authority determinations which cover members of Parliament, Ministers and other members of the Executive. These departments are responsible for the appropriations, budgets and expenditure related to members' pay and allowance, as follows:

- **Department of Internal Affairs** is responsible for the payment of salaries and allowances covering the Executive Council and members of the Executive (all Ministers of the Crown and Parliamentary Under-Secretaries).
- **Parliamentary Service** is responsible for the payment of salaries and allowances for members of Parliament who are neither Ministers nor Parliamentary Under-Secretaries.

Accordingly, the above two departments are best placed to address the issues you have raised in your letter. Here are their contact details:

Department of Internal Affairs

Mr Colin MacDonald
Chief Executive
Department of Internal Affairs
PO Box 805
Wellington 6140
email: colin.macdonald@dia.govt.nz

Parliamentary Service

Mr David Stevenson
General Manager
Parliamentary Service
Parliament Buildings
Private Bag 18041
WELLINGTON 6160
email: david.stevenson@parliament.govt.nz

Yours sincerely

A handwritten signature in blue ink, appearing to be 'Mike Kunz', with a long horizontal line extending to the right.

Mike Kunz
Director – Office of the Remuneration Authority



SERVICE DES AFFAIRES EUROPÉENNES

DIVISION DES ÉTUDES EUROPÉENNES ET DU DROIT COMPARÉ

Paris, le 7 février 2018

Remuneration Board

1 – How your Assembly commission forecasts its budget for Remuneration Board determinations?

At the French Assemblée nationale there is no existing remuneration board which deals with the parliamentary allowance. This allowance is indexed to the salary of the highest ranking state civil servants. It is equal to the mean of the lowest and highest salary of civil servants in the category “hors échelle” (highest level).

2 – Which way the assembly commission provides clear and transparent information?

The accounts of the French Assemblée nationale are certified every year by the Court of auditors (Cour des comptes).

Those accounts are published and can be consulted on our website.

<http://www2.assemblee-nationale.fr/decouvrir-l-assemblee/les-comptes-de-l-assemblee-nationale>

BWRDD TALIADAU
REMUNERATION BOARD

Simon Thomas AC,
Cadeirydd y Pwyllgor Cyllid

22 Ionawr 2018

Annwyl Simon

Ymchwiliad i'r tanwariant sy'n deillio o Benderfyniadau'r Bwrdd Taliadau

Diolch ichi am eich llythyr dyddiedig 8 Rhagfyr 2017, ac am dynnu sylw'r Bwrdd Taliadau at yr ymchwiliad byr y mae'r Pwyllgor Cyllid yn ei gynnal ar hyn o bryd i ddarganfod sut y mae seneddau eraill, yn y DU ac yn ehangach, yn cyllidebu ar gyfer gwariant sy'n ymwneud â chyflog a lwfansau'r Aelodau.

Bydd y Pwyllgor Cyllid yn gwybod mai swyddogaethau'r Bwrdd Taliadau, fel y'u nodir yn adran 3 o [Fesur Cynulliad Cenedlaethol Cymru \(Taliadau\) 2010](#), yw penderfynu ar lefel y gydnabyddiaeth a'r system ar gyfer rhoi cefnogaeth ariannol i Aelodau'r Cynulliad i'w galluogi i gyflawni eu rolau. Rôl Comisiwn y Cynulliad yw sicrhau bod y gyllideb ar gyfer y Bwrdd Taliadau yn ddigonol i fodloni'r holl rwymedigaethau fel y'u nodir yn y Penderfyniad.

Mewn rhai amgylchiadau, defnyddir y tanwariant ar gyfer amgylchiadau annisgwyl. Enghreifftiau o'r amgylchiadau hyn fyddai'r costau i ddarparu mesurau diogelwch ychwanegol i'r Aelodau yn dilyn llofruddiaeth drasig Jo Cox AS, a phenderfyniadau a wnaed ynghylch amgylchiadau Aelodau unigol sy'n ei gwneud yn ofynnol i'r Bwrdd ddefnyddio ei bwerau eithriadol. Gall y Bwrdd wneud y penderfyniadau hyn, pan fo angen, heb droi at Gomisiwn y Cynulliad yn gofyn am arian ychwanegol. Mae hyn yn gwarchod annibyniaeth y Bwrdd a chyfrinachedd yr Aelodau.

Cynulliad Cenedlaethol Cymru

Bae Caerdydd, Caerdydd, CF99 1NA

Taliadau@cynulliad.cymru

0300 200 6565

Cynulliad Cenedlaethol Cymru

Bae Caerdydd, Caerdydd, CF99 1NA

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BWRDD TALIADAU
REMUNERATION BOARD

Pe na bai'r gyllideb yn cael ei defnyddio'n llawn gan yr Aelodau, rôl y Comisiwn yw penderfynu sut i ddyrannu unrhyw danwariant cysylltiedig. Felly, byddai'n amhriodol i'r Bwrdd roi sylwadau ar sut mae'r Comisiwn yn dyrannu'r tanwariant posibl.

Edrychwn ymlaen at dderbyn canlyniad yr ymchwiliad maes o law.

Cofion gorau,



Y Fonesig Dawn Primarolo

Cadeirydd y Bwrdd Taliadau

Croesewir gohebiaeth yn Gymraeg neu yn Saesneg.

We welcome correspondence in Welsh or English.

**RIKSDAG
REMUNERATIONS
BOARD**

2018-01-26

Dnr 45/2017

Finance Committee
National assembly of Wales

The Riksdag Remunerations Board is an independent body. The role of the Board is to reach decisions on matters concerning benefits for members of the Riksdag. The Board is not responsible for budgetary issues. Accordingly the Board does not make any figures on the costs following the Boards decisions.

One of the main tasks for the Riksdag Remunerations Board is – inter alia – to decide the size of the monthly pay for members of the Riksdag. Decisions are reached every year. There are no specific rules to be followed by the Board when the amount is decided. However the annual decisions are based mainly on the general development of salaries in Sweden. The amount is the same for every member. Chairmen and vice chairmen of standing committees receive an additional amount according to regulations laid down in law.

The Board also decides the size and time of the economic benefits that every member of the Riksdag is entitled to when leaving the assignment. Such decisions are reached when a member is leaving the assignment. This mainly occurs after elections and – to some extent – between elections if a member is granted leave. These decisions follow quite detailed provisions laid down in law.

Further information on how the budget for expenditure related to members pay and pensions may be given by the Riksdag Administration.

Sven Johannisson
Reporting clerk

Mr Simon Thomas AM
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

30 January 2018

Dear Simon

National Assembly for Wales's Remuneration Board's Determination Underspend.

Thank you for your letter of 8 December 2017 requesting information on how the Scottish Parliament Corporate Body (SPCB) budgets for expenditure related to members' pay and allowances. In line with the [Code of Audit Practice](#) and the wider audit dimensions, we review the financial management of audited bodies and referred to this in our Annual Audit Report on the 2016/17 audit of the Scottish Parliamentary Corporate Body ([2016/17 annual audit report](#).)

Annual budget process

The SPCB must comply with the Public Finance and Accountability (Scotland) Act 2000 which provides that expenditure by the Scottish Administration and other bodies funded directly by the Scottish Consolidated Fund must be authorised on an annual basis by the Budget Act.

The SPCB's budget "top slices" the Scottish Consolidated Fund and therefore reduces the total amount of budget available to Scottish Ministers. The SPCB prepares an annual budget submission for approval by the Finance and Constitution Committee of the Scottish Parliament. Following Parliamentary approval, the SPCB budget is then published within the Budget Act. The SPCB cannot exceed the level of income and expenditure approved by the Budget Act.

Budget forecasts

There is a set basis for the calculation of MSPs' annual pay budget. This is calculated on the basis that MSP pay will be updated annually on 1 April by a mechanism which links MSP salaries to levels of public sector pay rises in Scotland (the Annual Survey of Hours and Earnings).

The annual budget for members' expenses and support costs such as office costs, staffing and accommodation reflect the limits set by the Reimbursement of Members' Expenses Scheme set up by the Resolution of the Parliament dated 12 June 2008 (last revised on 15 March 2016). It is assumed that not all Members will claim the full entitlement every year, with estimates based on the experience of the scheme to date and trends from previous years.

Reporting budget underspends

Performance against budgets is monitored throughout the year. The Corporate Body receives Finance Reports which report actual spend against year to date budgets for members' costs analysed across the headings of MSP and Officeholders Pay, MSP Expenses and Pay Assistance. These reports are public documents and are available to access from the Parliament's website.

In addition basic information on budget underspends is provided in the SPCB's annual report and accounts. In 2016/17, the SPCB included an explanation for the total budget underspend in the notes to the accounts, including an outline of the reason for the budget underspend against Members expenses.

There is more detailed information included on individual MSPs' expenses on the Scottish Parliament's website. This information can be broken down by monthly periods, allowance and expenditure types. However, it does not contain an assessment against the budget on either an individual or total basis.

Our Annual Audit Report on the 2016/17 Audit of the SPCB included a recommendation to include more details of the main categories of expenditure on Members costs in the annual report and accounts. We will follow up the action taken by management on this issue as part of our 2017/18 audit.

Utilising budget underspends

The SPCB can apply budget underspends to fund other SPCB projects without the formal approval of the Scottish Parliament's Finance and Constitution Committee. The reallocation of budgets across expenditure lines is approved by the SPCB's Strategic Resources Board, made up from members of the senior management team. This approach also applies to budget underspends against member costs. Any budget underspends remaining at the year end cannot be carried forward

I trust that you will find this information helpful to your inquiry.

If you require any further information please contact Elaine Barrowman, Senior Audit Manager on 0131 625 1922 or ebarrowman@audit-scotland.gov.uk.

Yours sincerely



Caroline Gardner
Auditor General for Scotland

Cynulliad Cenedlaethol Cymru
Comisiwn y Cynulliad

National Assembly for Wales
Assembly Commission

Simon Thomas AC
Cadeirydd y Pwyllgor Cyllid
Cynulliad Cenedlaethol Cymru
Tŷ Hywel
Bae Caerdydd
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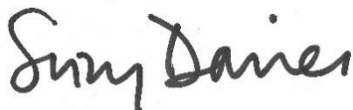
5 Chwefror 2018

Annwyl Simon

Ysgrifennaf atoch yn dilyn eich llythyr dyddiedig 8 Rhagfyr 2017 ynghylch Ymchwiliad eich Pwyllgor i danwariant Penderfyniad y Bwrdd Taliadau. Rydym yn nodi cylch gorchwyl y Pwyllgor ar gyfer yr ymchwiliad hwn ac mewn ymateb, rydym yn cyflwyno papur i chi (ynghlwm), y gobeithiwn iddo fynd i'r afael â'r meysydd o'r ymchwiliad sy'n berthnasol i'r Comisiwn.

Diolch ichi hefyd am y gwahoddiad i gyfarfod y Pwyllgor ym mis Mawrth – byddwn yn hapus i fod yn bresennol i drafod y materion sydd wedi'u cynnwys yn y cylch gorchwyl ac yn ein hymateb. Rhowch wybod os hoffai eich Pwyllgor gael unrhyw wybodaeth bellach.

Yn gywir



Suzy Davies

copi at Gomisiynwyr y Cynulliad, Manon Antoniazzi, Nia Morgan



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Ymchwiliad y Pwyllgor Cyllid i Danwariant Penderfyniad y Bwrdd Taliadau

Sut y mae Comisiwn y Cynulliad yn amcangyfrif ei gyllideb ar gyfer penderfyniadau'r Bwrdd Taliadau

Mae'r Bwrdd Taliadau yn annibynnol ar y Cynulliad a Chomisiwn y Cynulliad. Mae Mesur Cynulliad Cenedlaethol Cymru (Taliadau) 2010 yn atal y Cynulliad a Chomisiwn y Cynulliad rhag rheoli'r Bwrdd yn y modd y mae'n arfer ei swyddogaethau. Blaenoriaeth Comisiwn y Cynulliad yw sicrhau ei fod mewn sefyllfa i allu talu'r holl daliadau ac ad-dalu'r holl gostau y mae gan Aelodau hawl iddynt o dan y Penderfyniad.

Un Penderfyniad yn unig y mae'r Bwrdd yn cael ei wneud ym mhob Cynulliad ar gyfer talu cyflogau'r Aelodau, ac mae'r rhain felly yn gymharol syml i'w rhagweld, yn amodol ar yr uwchraddio blynyddol. O ran agweddau eraill, mae'r Bwrdd yn cynnal adolygiad blynyddol o'r holl lwfansau. Gall y Bwrdd o bryd i'w gilydd gynnal adolygiadau manylach ar agweddau penodol ar y Penderfyniad, a allai arwain at newidiadau bach yn y gyllideb sydd ei hangen ar gyfer y Penderfyniad.

Mae Comisiwn y Cynulliad yn rhagweld ei gyllideb ar gyfer penderfyniad y Bwrdd Taliadau drwy amcangyfrif y gost ar gyfer bodloni'r galw arno o dan y Penderfyniad diweddaraf, drwy ddeall rhaglen waith y Bwrdd ar gyfer y flwyddyn ariannol nesaf, a thrwy drafod â'r swyddogion sy'n cefnogi'r Bwrdd.

Nid yw hyn yn cynnwys amcangyfrifon ar gyfer costau cyfraniad Comisiwn y Cynulliad at gynlluniau pensiwn yr Aelodau – caiff y rhain eu penderfynu gan actiwari'r cynllun fel yr eglurir isod.



Amcangyfrifwyd y rhagolygon ar gyfer 2018–19 (£16.201 miliwn) fel a ganlyn:

Dadansoddiad 'Cyflogau'r Aelodau a'r costau cysylltiedig'

Tabl 1 (9 yn y Gyllideb)	2017–18	2018–19	2019–20	2020–21
	Cyllideb	Cyllideb	Cyllideb	Cyllideb
	£'000	£'000	£'000	£'000
Cyflogau Aelodau'r Cynulliad ac ar-gostau (i)	£5,725	£6,140	£6,269	£6,401
Cyflogau staff cymorth Aelodau'r Cynulliad ac ar-gostau (ii)	£8,110	£8,365	£8,545	£8,729
Lwfansau a Chostau Swyddfa (iii)	£1,697	£1,696	£1,724	£1,754
Cyfanswm	£15,532	£16,201	£16,538	£16,884

*wedi'i gymryd o Gyllideb Comisiwn y Cynulliad 2018–19, sef y gyllideb ddiweddaraf a osodwyd.

i) Cyflogau Aelodau'r Cynulliad ac ar-gostau (£6.140 miliwn)

Yn 2016–17, gosododd Penderfyniad y Bwrdd Taliadau'r cyflog sylfaenol ar gyfer Aelodau'r Cynulliad i fod yn £64,000 gan uwchraddio hynny bob blwyddyn yn unol â chyflogau cyfartalog fel y cânt eu mesur gan yr Arolwg Blynyddol o Oriau ac Enillion. Ar gyfer 2017–18, arweiniodd hyn at gynnydd o 2.1%. Cymerwyd y bydd y cynnydd canrannol blynyddol hwn o 2.1% yn cael ei gymhwyso i 2018–19 a'i adlewyrchu yn y gyllideb a osodir. Mae'r ffigurau diweddaraf o'r Arolwg Blynyddol o Oriau ac Enillion yn dangos cynnydd o 2.3% mewn enillion cyfartalog, ac mae cyflogau yn 2018–19 felly yn debygol o fod yn uwch na'r ffigurau yn y gyllideb.

Mae'r ar-gostau sy'n gysylltiedig â chyflogau'r Aelodau yn cynnwys Yswiriant Gwladol, cyfraniad pensiwn y cyflogwr a'r Ardoll Prentisiaeth, a gyflwynwyd trwy godi 0.5% ar bob cyflogres sydd dros £3 miliwn (llai na £15,000 o lwfans) y flwyddyn, o 2017–18.



Wedi'i gynnwys hefyd mae'r cyflogau ychwanegol a delir i Aelodau sydd mewn swydd â chyfrifoldeb ychwanegol sylweddol, megis Gweinidogion, y Llywydd a chadeiryddion pwyllgorau, ac mae'r rhain i'w cael ar dudalen 10 o Benderfyniad 2017–18. Rhagdybiwyd ar gyfer 2018–19 fod y Cwnsler Cyffredinol yn parhau i fod yn Aelod Cynulliad etholedig. Nid yw effaith y ddau Ddirprwy Weinidog newydd, a benodwyd ym mis Tachwedd 2017, wedi'i hadlewyrchu yn y gyllideb a osodwyd ar gyfer 2018–19.

Mae'r taliad ar gyfer y cyfraniad cyfrannol yn y cynllun pensiwn yn cael ei osod gan actiwari'r cynllun pensiwn. Yn achos y Comsiwn, darperir gwasanaethau actiwaraid gan Adran Actiwaraid y Llywodraeth. Mae prisiad mis Ebrill 2017 o'r cynllun pensiwn wedi arwain at angen i gynyddu'r cyfraniad pensiwn o 15.6% i 20.8% i osgoi sefyllfa lle bo'r gronfa mewn diffyg ariannol. Mae hyn wedi cynyddu'r gost o £240,000 am y flwyddyn, gan dybio bod yr Aelodau'n derbyn yr un cynnydd cyflog yn 2018–19 ag y cawsant yn 2017–18. Mae'r cynnydd mewn cyfraniadau pensiwn wedi'i adlewyrchu yng nghyllideb 2018–19.

Ffactorau a all effeithio ar yr elfen hon yn y gyllideb:

- Pan fo ffigurau'r Arolwg Blynnyddol o Oriau ac Enillion, pan gânt eu cyhoeddi, yn uwch na'r cynnydd a gyllidebwyd.
- Pan benodir Cwnsler Cyffredinol nad yw'n AC (fel y digwyddodd ym mis Mai 2011).
- Pan grëir swyddi ychwanegol neu swyddi sy'n fwy costus, gan arwain at gyflogau ychwanegol, megis Ysgrifennydd y Cabinet arall (yn hytrach na Dirprwy Weinidog) neu swydd cadeirydd pwyllgor.
- Pan fo newidiadau i ar-gostau, y tu hwnt i reolaeth y Comisiwn e.e. yr Ardoll Prentisiaethau, newidiadau i'r Yswiriant Gwladol a chyfraniadau pensiwn.



Nid oes dim darpariaeth ar gyfer y newidiadau hyn na thaliadau ychwanegol yng nghyllideb 2018–19.

ii) Cyflogau staff cymorth Aelodau'r Cynulliad, cymorth i bleidiau gwleidyddol ac ar-gostau (£8.365 miliwn)

Mae Penderfyniad y Bwrdd Taliadau yn nodi'r cyllid sydd ar gael (hyd at £96,995 y flwyddyn i bob Aelod yn 2017–18) i Aelodau gyflogi hyd at dri aelod o staff cyfwerth ag amser llawn i'w cefnogi ym mhob agwedd ar eu rôl. Cynyddwyd hyn o 2.1% yn 2017–18 fel rhan o'r adolygiad blynyddol o gyflogau staff. Roedd yr un cynnydd i'w gael ar gyfer y swm i gefnogi'r holl bleidiau gwleidyddol, a ddefnyddir yn bennaf i gyflogi staff, gan olygu cyfanswm o £929,110 yn 2017–18.

Mae'r Bwrdd Taliadau wedi dechrau adolygiad o gymorth staff i Aelodau gan gynnwys digonoldeb lefel y cymorth a ddarperir i'r Aelodau; hyblygrwydd a rhagnodoldeb y system gymorth bresennol ar gyfer Aelodau; ac addasrwydd y telerau ac amodau presennol ar gyfer staff cymorth. Mae'n bosibl y caiff canfyddiadau'r adolygiad effaith ariannol yn 2018–19 ond ni chyflwynir adroddiad tan hydref 2018. Amcangyfrifwyd cynnydd o 3% yn y gyllideb staff cymorth ar gyfer 2018–19 i ganiatáu ar gyfer cynnydd posibl sy'n uwch na'r cynnydd a wnaed i gyflogau'r Aelodau.

Ffactorau a all effeithio ar yr elfen hon yn y gyllideb:

- Mae adolygiad y Bwrdd Taliadau yn golygu newidiadau sy'n arwain at gynnydd o dros 3% yng nghyllidebau'r staff cymorth a chefnogaeth ar gyfer pleidiau gwleidyddol.
- Nid yw'r gyllideb ar gyfer cyflogau staff cymorth Aelodau'r Cynulliad a'r ar-gostau yn darparu ar gyfer costau annisgwyl megis taliadau diswyddo a thaliadau mewn achosion o farwolaeth mewn gwasanaeth, a gorfu gwneud y ddau fath o daliad yn 2017–18.



- Nid yw'r gyllideb ar gyfer cyflogau staff cymorth Aelodau'r Cynulliad a'r argostau yn darparu ar gyfer costau annisgwyl megis taliad ar gyfnod mamolaeth neu daliad ar gyfer salwch tymor hir.

Nid oes dim darpariaeth ar gyfer y mathau hyn o daliadau yng nghyllideb 2018–19.

iii) Lwfansau a Chostau Swyddfa (£1.696 miliwn)

Caiff y gyllideb costau swyddfa a gwariant llety preswyl eu hadolygu'n flynyddol a'u haddasu yn ôl yr angen. At ddibenion amcangyfrif cyllideb ar gyfer 2018–19, rhagdybiwyd chwyddiant yn unig i godi (1.56%). Mae'r llinell gyllideb hon hefyd yn cynnwys aros dros nos, cronfa ymchwil a pholisi a chostau teithio.

Ffactorau a all effeithio ar yr elfen hon yn y gyllideb:

- Mae'n bosibl y bydd costau ychwanegol annisgwyl yn codi o fewn llinell gostau'r swyddfa e.e. y gronfa i wella diogelwch. Efallai y bydd angen i'r symiau ychwanegol hyn gael eu cyllido ar fyr-rybudd a hwyrach y byddant y tu hwnt i'r hyn a ragwelwyd yn wreiddiol ym Mhenderfyniad cyllideb costau swyddfeydd.

Ystyriaethau eraill:

Mae'r lwfans a'r gyllideb costau swyddfeydd yn cynnwys costau swyddfeydd a'r eitemau eraill a nodwyd yn y Penderfyniad. Fodd bynnag, nid yw'r gyllideb yn cynnwys pob cost a wynebir gan Aelodau sy'n gysylltiedig â'r swyddfa. Mae'r Comisiwn, o'i gyllideb ei hun, yn darparu cymorth ychwanegol ar gyfer costau swyddfeydd i gefnogi Aelodau. Mae'r Comisiwn hefyd yn ysgwyddo'r holl gostau sy'n gysylltiedig â Bwrdd Taliadau annibynnol. Nid yw'r costau hyn wedi'u cyllido gan y Penderfyniad.



Mae'r symiau a ganlyn wedi'u cynnwys yng nghyllideb weithredol y Comisiwn.

Tabl 2	Rhagolygon 2017-18	Cyllideb 2018- 19
Deunydd ysgrifennu'r Aelodau	£60,041	£61,000
Argraffu gan Aelodau	£119,191	£120,000
Hyfforddiant i Aelodau	£144,987	£145,000
Costau'r Bwrdd Taliadau	£63,839	£68,000
Treuliau Eraill e.e. teithio rhyngwladol	£67,046	£76,000
Cyfanswm	£455,104	£470,000

Mae'r costau hyn yn gyfanswm o £470,000, sydd wedi'i ysgwyddo'n llwyr gan gyllideb weithredol y Comisiwn. Er y gosodir cyllideb gan y Comisiwn ar gyfer yr eitemau ychwanegol hyn, sy'n uniongyrchol gysylltiedig ag Aelodau ac sy'n cael eu llywio gan yr Aelodau, yn wahanol i wariant y Penderfyniad, nid oes dim uchafswm penodedig ar faint y gall bob Aelod Cynulliad alw ar y gwasanaethau hyn. Gall y swm a gyfyd gan yr Aelodau amrywio'n sylweddol.

Gallai cynnydd yng ngwariant y Bwrdd Taliadau olygu i'r gyllideb hon, a osodir gan y Comisiwn, gael ei chynyddu. O dan Fesur Cynulliad Cenedlaethol Cymru (Taliadau) 2010, mae'n rhaid i'r Comisiwn roi cymorth gweinyddol o'r fath i'r Bwrdd fel y mae angen rhesymol amdano er mwyn ei alluogi i gyflawni ei swyddogaethau. Mae'r Mesur yn atal y Cynulliad a Chomisiwn y Cynulliad rhag rheoli'r Bwrdd yn y modd y mae'n arfer ei swyddogaethau. Mae'n bosibl felly i'r cyfanswm y bydd y Bwrdd Taliadau yn ei wario ar ymgynghorwyr arbenigol neu ar ymarferion ymgynghorol yn ystod blwyddyn ariannol fod yn uwch na'r gyllideb a ragwelwyd.



A yw'r ffordd y mae Comisiwn y Cynulliad yn rhoi gwybodaeth am y tanwariant yn glir a thryloyw

Yn nogfen y gyllideb 2018–19, y craffwyd arni gan y Pwyllgor hwn ym mis Hydref 2017 cyn ei gosod gerbron y Cynulliad ym mis Tachwedd 2017, mae'r Comisiwn yn darparu gwybodaeth glir a thryloyw ynghylch maint a defnydd unrhyw danwariant sy'n deillio o gyllideb Penderfyniad y Bwrdd Taliadau.

Mae dogfen y gyllideb 2018–19 yn cynnwys gwybodaeth ynghylch amcangyfrif cyfanswm y tanwariant a ragwelir ar gyfer 2018–19 (£600,000) ac mae'n cynnwys manylion am flaenoriaethau buddsoddi 2018–19. Mae dogfen y gyllideb yn cadarnhau bod unrhyw danwariant sydd ar gael yn cyfrannu at gronfa fuddsoddi'r Comisiwn ac ei fod ond yn cael ei ddefnyddio ar brosiectau sy'n flaenoriaethau clir, fel y nodir yn y ddogfen.

Mae'r Comisiwn hefyd wedi bod yn glir a thryloyw ynghylch ei ddefnydd o danwariant cyllideb Penderfyniad y Bwrdd Taliadau yn ystod 2016–17 a 2017–18, gan ddarparu gwybodaeth yn ymwneud â thanwariant tebygol Penderfyniad y Bwrdd Taliadau am y ddwy flynedd honno i'r Pwyllgor, fel y gofynnwyd, mewn llythyrau ar 28 Mawrth 2017 a 21 Rhagfyr 2017.

Mae'r wybodaeth a ganlyn (tabl 3) yn rhan o'r llythyr a anfonwyd i'r Pwyllgor ar 21 Rhagfyr 2017, ac mae'n darparu gwybodaeth ar y gyllideb fuddsoddi a ragwelir ar gyfer 2017–18 a 2018–19 ynghyd â'r cyfraniad a ragwelir gan linell gyllideb Penderfyniad y Bwrdd Taliadau.



Tabl 3	£'000	£'000
	2017-18	2018-19
Y Gronfa Fuddsoddi Agoriadol	£850	-
Cyllideb Cyfalaf	£500	£500
Cyfanswm y gronfa fuddsoddi o fewn cyllideb graidd y Comisiwn ar gyfer eitemau sy'n flaenoriaeth/hanfodol	£1,350	£500
Amcangyfrifon o arian a fydd ar gael o ganlyniad i danwariant o fewn:		
- Cyllidebau Gweithredol	£500	£800
- Cyllideb Penderfyniad y Bwrdd Taliadau	£1,000	£600
Amcangyfrif o gyfanswm y cyllid a fydd ar gael ar gyfer blaenoriaethau buddsoddi	£2,850	£1,900

Bydd y Comisiwn yn parhau i nodi bob blwyddyn, yn nogfen ei gyllideb derfynol, y swm tebygol a fydd heb ei ddefnyddio o Gyllideb Penderfyniad y Bwrdd Taliadau. Bydd hyn yn sicrhau tryloywder lle bo'r gyllideb yn cael ei gosod ar sail 100% a hyblygrwydd i ddarparu gwariant annisgwyl o dan y Penderfyniad.

Bydd y Comisiwn, fel y gwnaeth y llynedd, yn adolygu cyflwyniad y gyllideb a'r swm y gwneir cais amdano o fewn llinell gyllideb y Penderfyniad yn ei gyfarfod ym mis Ebrill. Mae hyn i sicrhau ei fod yn parhau i fod y dull a'r fecanwaith fwyaf tryloyw a hyblyg i fynd i'r afael â gofynion Penderfyniad y Bwrdd Taliadau.



At hynny, sicrheir tryloywder ymhellach wrth i ddogfen ein hadroddiad a chyfrifon blynyddol, a archwylir gan Archwilydd Cyffredinol Cymru, hefyd ddarparu manylion llawn ein gwariant y llynedd yn erbyn cyllideb Penderfyniad y Bwrdd Taliadau ar gyfer pob blwyddyn.

Sut y mae Comisiwn y Cynulliad yn penderfynu defnyddio'r tanwariant ar ôl bodloni penderfyniadau'r Bwrdd Taliadau.

Bodloni'r Penderfyniad

Fel y nodwyd uchod, blaenoriaeth Comisiwn y Cynulliad yw sicrhau ei fod mewn sefyllfa i allu talu'r holl daliadau ac ad-dalu'r holl gostau y mae gan Aelodau hawl iddynt o dan y Penderfyniad. Mae'r Comisiwn yn monitro'r taliadau a wneir o dan y Penderfyniad drwy gydol y flwyddyn i sicrhau bod cyllid digonol i ad-dalu'r holl gostau ar ddiwedd y flwyddyn ariannol.

Mae'r rhagolwg hwn yn darparu amcangyfrif o'r tanwariant tebygol neu'r diffyg ariannol a ddisgwylir ar ddiwedd y flwyddyn ariannol. Yn ystod y flwyddyn, cynhelir asesiad o sicrwydd yr amcangyfrif ac a yw'n ddoeth defnyddio unrhyw faint o'r tanwariant a ragwelir ar brosiectau buddsoddi sy'n flaenoriaeth. Cyflawnir hyn drwy gyfathrebu'n rheolaidd â Gwasanaeth Busnes yr Aelodau, sy'n darparu rhagolygon o wariant Aelodau ynghyd ag esboniadau ar gyfer unrhyw amrywiadau sylweddol mewn tueddiadau gwario. Mae Gwasanaeth Busnes yr Aelodau hefyd yn sicrhau bod y rhagolwg yn cael ei ddiweddarau'r rheolaidd i adlewyrchu'r eitemau ychwanegol nad ydynt wedi'u cynnwys yn y gyllideb, unwaith y byddant yn codi.

Ni fydd y Comisiwn ar unrhyw adeg yn ystod y flwyddyn ariannol wedi "bodloni" y Penderfyniad. Ni wyddys y cyllid sydd ei angen ar gyfer y Penderfyniad â sicrwydd mewn gwirionedd tan dair wythnos wedi diwedd y flwyddyn ariannol, pan fydd mwyafrif yr hawliadau gan Aelodau'r Cynulliad wedi cael eu derbyn.



Y defnydd a wneir o danwariant Penderfyniad y Bwrdd Taliadau

Yn ystod y flwyddyn, caiff y gyllideb gyfan, gan gynnwys y tanwariant a ragwelir, ei monitro. Adolygir y rhagolygon bob pythefnos i fesur yn gywir y Gronfa Fuddsoddi a fydd ar gael ar gyfer prosiectau ac unrhyw wariant arall sy'n flaenoriaeth gan y Comisiwn. Caiff y rhagolygon hyn eu hadolygu gan y Bwrdd Buddsoddi ac Adnoddau a gwneir penderfyniadau ynghylch blaenoriaethau a gwariant, y dilyn craffu, yng nghyfarfodydd y Bwrdd Buddsoddi ac Adnoddau bob pythefnos.

Mae'r wybodaeth yn nhabl 4 yn dangos y galw a ragwelir ar y gronfa fuddsoddi yn 2017-18. Mae hyn yn cynnwys galw annisgwyl ar y Penderfyniad ynghyd â gwariant ar brosiectau yn 2017-18. Gellir gweld gwybodaeth am y gwariant a ragwelir ar gyfer 2018-19 yng Nghyllideb Derfynol y Comisiwn ar gyfer 2018-19 (tudalen 19), a osodwyd gerbron y Cynulliad ym mis Tachwedd 2017.

Yn ystod 2017-18, defnyddiwyd cyfuniad tanwariant y Penderfyniad, tanwariant gweithredol, y gyllideb gyfalaf a'r gronfa fuddsoddi agoriadol (Tabl 3 - £2.85 miliwn) i dalu am yr eitemau o flaenoriaeth a ganlyn:



Tabl 4

Cost y tanwariant a'r Gronfa Fuddsoddi		£'000
Effaith newidiadau 2016–17 mewn capasiti staffio		£1,000
Gwariant ar y Penderfyniad:		
– Marwolaeth mewn swydd (staff cymorth Aelodau'r Cynulliad)*	£125	£177
– Cyflog ychwanegol Gweinidogion*	£21	
– Taliadau diswyddo i staff cymorth Aelodau'r Cynulliad*	£31	
Ardoll brentisiaethau		£110
Gwariant y Gwasanaeth Rheoli Ystadau a Chyfleusterau ar Flaenoriaethau:		
– Cyfnod 2 o'r Byrddau Dosbarthu Trydan	£29	£133
– Gwelliannau i lifftiau y Senedd a'r Pierhead	£34	
– Gwaith adfer yn dilyn asesiadau risg dŵr yn Nhŷ Hywel	£16	
– Adnewyddu rhaffau lifftiau 1,2 a 3 Tŷ Hywel	£54	
Prosiectau (Tabl 5 – isod)		£1,262
Cyfanswm gwariant ar flaenoriaethau		£2,682
Arian sy'n weddill		£168

*Nid oedd modd rhagweld yr eitemau a farciwyd ar ddechrau'r flwyddyn ariannol.



Tabl 5 – Gwariant ar brosiectau

Mae'r eitemau hyn wedi'u crynhoi yn nhabl 4 uchod (£1,262k).

Gwariant ar Brosiectau yn 2017–18:		£'000
System Reoli'r Llyfrgell		£32
Y System Gyllid (cyfnod 2)		£22
Fy Senedd, yn cynnwys:		£156
– Y wefan a rheoli cynnwys	£35	
– Rheoli gwybodaeth	£22	
– Cofnod y Trafodion	£52	
– Y Swyddfa Gyflwyno	£32	
Gwaith ar y Llawr Gwaelod gan gynnwys offer TGCh a Darlledu		£513
Teledu cylch cyfyng (CCTV)		£362
Diwygio trefniadau'r Cynulliad		£100
Cynllunio adeiladau yn y dyfodol		£23
Weeping Window (Pabïau)		£44
Senedd leuenctid		£10
Cyfanswm gwariant cyllidebol ar brosiectau* (Tabl 4 uchod)		£1,262

*Y gwariant gwirioneddol y flwyddyn hyd yma yw £962,000.



Cyflwyniad Cyllideb y Comisiwn 2019–20

Fel y nodwyd yn ein llythyr at eich Pwyllgor ar 21 Rhagfyr 2017, ystyriodd y Bwrdd Buddsoddi ac Adnoddau yn ei gyfarfod ar 7 Rhagfyr bapur ar gyflwyniad Cyllideb y Comisiwn 2019–20. Argymhellodd y Bwrdd y dylai'r Comisiwn ystyried cyflwyniadau amgen ar gyfer cyllideb 2019–20, yn hytrach na pharhau â'r cyflwyniad presennol.

Ein nod wrth gyflwyno model diwygiedig fyddai mynd i'r afael â'r pryderon a nodwyd gan eich Pwyllgor ynghylch tryloywder, gan gadw hyblygrwydd a lleihau'r risg i gyllideb y Comisiwn.

Bydd y Comisiwn yn adolygu cyflwyniadau amgen ar gyfer y gyllideb yn nhymor y gwanwyn 2018. Dyma'r ddau fodel amgen y dylid eu hystyried:

- cyllideb wedi'i neilltuo ar gyfer penderfyniad y Bwrdd Taliadau, wedi'i osod ar sail 100%, gan ddychwelyd unrhyw symiau nas defnyddiwyd i Gronfa Gyfunol Cymru ar ffurf cyllideb atodol, gyda chynnydd cyfatebol yng nghyllideb weithredol y Comisiwn.
- gosod cyfanswm llai, er enghraifft 98%, fel cyllideb ar gyfer cyllido Penderfyniad y Bwrdd Taliadau, gyda chynnydd cyfatebol yng nghyllideb weithredol y Comisiwn.

Comisiwn y Cynulliad

Chwefror 2018



7 February 2018

Our ref. 074-2017/18

Questions concerning the budget for expenditure related to Members' pay and allowances

General information about the Riksdag and compensation to members

The Swedish Parliament – the Riksdag – has 349 members who are elected every four years. In addition to this there is a Speaker. Three of the members also serve as Deputy Speakers.

The members' basic pay is determined by the Riksdag Remunerations Board. Since October 2017, this pay has amounted to SEK 65,400 per month (approx EUR 6,500). The Speaker has the same pay as the Prime Minister, which is currently SEK 168,000 per month (approx. EUR 17,000). The Deputy Speakers have a supplement of 30 per cent in addition to their monthly pay. The Chair and Deputy Chair of a Committee or the Committee on European Union Affairs receive a supplement of 20 and 15 per cent in addition to their monthly pay respectively. Certain assignments, including serving as a member on the Riksdag Board, entitles individuals to special remuneration.

In addition to their pay, members are entitled to reimbursement for their official journeys, per diem, overnight accommodation or reimbursement for equivalent accommodation if the member lives further than 50 km from Stockholm, old-age, sickness and survivor's pension, insurance, temporary childcare services for their own children under the age of 12 and a parking space. Rules concerning this are laid down in the Act on Compensation to Members of the Riksdag (2016:1108).

A member who leaves the Riksdag is entitled – in certain circumstances – to a severance package in the form of guaranteed income (for members elected before 2014) or financial redeployment support (for members elected after 2014). In addition, they are entitled to adjustment measures to help them re-enter working life, for example help from a coach. Previous members are also entitled to one month of pay after they have left their position.

Anders Norin

Head of the Department for Administrative Services for Members • The Riksdag Administration

In certain circumstances, a member may be granted leave, for example parental leave or for illness. If this leave lasts longer than 30 days, an alternate member is called in to carry out the member's assignments during their leave. In principle, the alternate member has the same rights and obligations as an ordinary member.

The budget process

One of the Riksdag's most important tasks is to take decisions regarding expenditure and revenue in the central government budget. The Riksdag's work on the central government budget starts every year with a proposal from the Government. The Government presents its preliminary proposal - the Spring Fiscal Policy Bill - in April. This contains the guidelines for Sweden's economic policy. In September, the Government presents its second proposal - the Budget Bill - which contains the entire central government budget.

The Budget Bill is managed via a two-step process. The first step involves the Riksdag establishing an expenditure limit for each expenditure area at the request of the Committee on Finance. There are 27 expenditure areas, each of which contains different appropriations. Following this, the expenditure areas are considered by each parliamentary committee. Costs attributable to the pay of Riksdag members and other financial benefits are included in expenditure area 1 Governance.

Costs relating to the pay of Riksdag members and other financial conditions are contained in appropriation 2:1 Parties and members of the Riksdag, etc. This appropriation can be used for such things as costs for remuneration to which Riksdag members are entitled within the framework of their assignment as members as well as the Speaker's activities, trips and entertainment.

During the period 2015-2017, appropriation 2:1 amounted to a total of SEK 880,000,000 per year, or around EUR 88,000,000. In 2018, the total amount is SEK 894,711,000, or around EUR 89,500,000.

To this can be added the costs linked to the Riksdag Administration's administrative expenses, such as employees' salaries, rents and similar items. These costs are included in appropriation 2:2. Appropriation 2:3 relates to the Riksdag's properties, while appropriation 2:4 concerns the Parliamentary Ombudsmen.

Once the Riksdag has taken a decision on the expenditure limit, expenditure areas and appropriations in December of each year, a decision is then taken on the exact distribution of the amounts contained in the Riksdag Administration's internal budget. This takes place in February of each year. A decision has not yet been taken on the internal budget for 2018. With respect to pay and trips, pensions, severance packages and individual official trips abroad, appropriation 2:1 was distributed as follows in the internal budget for 2017:

Members' pay	SEK 361,600,000 (aprox. EUR 36,160,000)
Travels in Sweden	SEK 56,000,000 (aprox. EUR 5,600,000)
Climate offsetting	SEK 500,000 (aprox. EUR 50,000)
Pensions	SEK 100,000,000 (aprox. EUR 10,000,000)
Administration of pensions	SEK 850,000 (aprox. EUR 85,000)
Adjustments measures	SEK 500,000 (aprox. EUR 50,000)
Guaranteed income	SEK 30,000,000 (aprox. EUR 3,000,000)
Financial redeployment support	SEK 1,000,000 (aprox. EUR 100,000)
Administration of severance packages	SEK 800,000 (aprox. EUR 80,000)
Individual official trips abroad	SEK 6,107,000 (aprox. EUR 611,000)
Total	SEK 557,357,000 (aprox. EUR 55,736,000)

As specified, expenditure area 1 and appropriations 2:1 and 2:2 are included in the Government's Budget Bill. However, calculations, texts and supporting documents are produced at the Riksdag Administration, which is the authority under the Riksdag tasked with supporting the work of the Riksdag. The Finance Department has principle responsibility for this work. Relevant departments within the Administration also contribute supporting documentation and calculations, however.

The supporting documents to the aforementioned parts of appropriation 2:1 are produced by the Department for Administrative Services. This work takes place at the beginning of each year.

With respect to **pay**, a calculation is produced based on the number of members and taking into consideration such factors as pay increments, an

estimate of how many members are expected to leave their position during the budget year and the fact that pay is normally increased by around 2 per cent each autumn. The Speaker's pay and employers' social security contributions can be added to this. Of major significance to the calculation is whether the coming year is an election year or not. The results of the past two years have exceeded the budgeted amount by around SEK 1,000,000 - 2,000,000.

With respect to **trips within Sweden**, an estimate is made of the cost on the basis of previous years' results and travel patterns, as well as by taking into account whether the budget year is an election year or not. Experience shows that members' travel increases during an election year, as well as by other modes of transport. An assessment of any future hikes in ticket prices or similar rises is included in the calculation, along with the cost of the travel company the Administration uses. Results from the past two years have fallen below the budgeted amount, or SEK 55,000,000, by several million kronor.

Each member may use a total of SEK 50,000 for **individual official trips abroad** for each electoral period. The total cost per electoral period of four years therefore amounts to SEK 17,450,000. This total amount is distributed across the four-year period, taking into account experience of the travel patterns that tend to characterise work at the Riksdag during an electoral period. So far, a lower amount of SEK 2,617,500 has thus been set aside for years 1 and 4, that is, 2015 and 2018, while a higher amount of SEK 6,107,000 has been set aside for years 2 and 3, that is, 2016 and 2017. Results usually fall below the budgeted amount by one or several million SEK.

The budget heading **pensions** includes old-age pension, disability pension and survivor's pension. The current pension system was introduced through a reform in 2010. Due to different transition rules, previous pension reforms may also be relevant. It is hard to calculate pension costs with any certainty. The assessment is made based on previous results, as well as assumptions of how many people will be taking out some form of pension over the coming years. In recent years, results have largely corresponded to or fallen somewhat below budgeted amounts. The trend is for pension costs to increase slightly each year, which is linked to the formulation of the new regulations that were introduced in 2010.

Costs of **severance packages** such as guaranteed income and financial redeployment support are hard to estimate and calculate, as the results are dependent upon how many members will leave the Riksdag over the

coming year and it is not possible to know in advance how many of these previous members will request a severance package. Aspects such as the age, length of service at the Riksdag and the applicable severance package system of each previous member are also significant. Another factor of uncertainty is that the guaranteed income system will be gradually replaced by a system that was introduced in 2014 – financial redeployment support – which is less financially beneficial. The calculation is based on previous results and an assessment of the aforementioned factors. With respect to guaranteed income, results from previous years have fallen below the budgeted amount. Since the financial redeployment support severance package is new, the results have so far been modest.



HOUSE OF COMMONS

Simon Thomas AM
 Chair
 Finance Committee
 National Assembly for Wales
 Cardiff Bay
 Cardiff
 CF99 1NA

7 February 2018

Dear Chair,

Thank you for your letter of 8 December, requesting written evidence for your Committee's inquiry on the Remuneration Board of the National Assembly's determination underspend. As the Terms of Reference for the inquiry mostly focus on the workings of the Assembly Commission, this submission provides information related to the final bullet point "how other parliaments, within the UK and more widely, budget for expenditure related to Members' pay and allowances".

As you will be aware, the vast majority of Members pay and expenses are now dealt with by The Independent Parliamentary Standards Authority (IPSA). IPSA will provide written evidence themselves, to cover the Members pay and expenses that they deal with. Therefore, this submission only refers to the pay and expenses dealt with by the House of Commons.

The elements remaining within the House of Commons Estimates [REDACTED] are as follows:

Members Estimate

Deputy Speakers pay

Administration Estimate

Resource

Stationery and postage

Committee travel

Capital

IT equipment

These items are budgeted for in the same way we budget more widely. For example, The Deputy Speakers' pay is based on actual salary costs plus expected inflation. The stationery and postage budget is based on the number of members, the annual allowance and a forecast of how much of the allowance will be taken up, based on trends in previous years. In 2016-17 this budget was underspent by £338,000 (12.1%). The Committee travel budget contains separate sums for UK-travel (which is not cash limited) and overseas

travel (which is subject to a cap set by the House of Commons Commission), with in both cases the subsistence costs reimbursed to Members being based on HMRC-recognised guidelines. In 2016-17, this budget was underspent by £226,000 (27.5%). The budgets are based on trends in previous years. IT equipment is based on the allowance and a forecast of how many members will take up their allowance and when they will take up the allowance, based on trends in previous years.

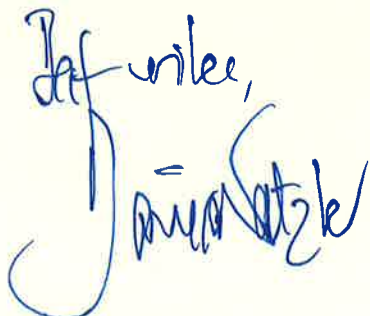
The budgeting process aims to minimise underspend. Underspends are used if necessary and permissible to fund agreed overspends elsewhere in the budget.

In 2016-17 the IT equipment budget of £200,000 was breached by £54,978, and an excess vote occurred. The Public Accounts Committee reported on this in its report, Excess Votes 2016-17. The report states:

No individual Member exceeded their individual allowance for equipment purchases. However, during 2016–17 the House failed to apply its normal level of budgetary control on this specific ICT expenditure, which sat outside the normal purchase order processes applicable to other areas of expenditure. The House failed to anticipate, in considering its Supplementary Estimate, the impact of the high level of new Members from by-elections since the 2015 General Election, resulting in additional capital expenditure of £32,000. Furthermore, capital expenditure of £63,000 which should have been recognised in 2015–16 (as it related to ICT equipment ordered and received in that year) was not identified until late in 2016–17. These factors contributed to inadequate forecasting and the overall capital overspend in 2016–17.

The House of Commons have taken a number of actions, some of which were already planned prior to the end of 2016-17, to mitigate against an overspend recurring. These comprise: changes to the procurement and accounting processes; changes to the handling of provisioning and recording of assets; and the Estimate process. From 2017-18, Members Loan equipment, support and broadband services have been transferred from the House of Commons Members Estimate to the House of Commons Administration Estimate. This will ensure purchase orders and commitments are recorded on the House Administration Information System (HAIS), goods receipting and monthly accruals can be recorded, standard reporting will be available and this budget and costs will be included in the regular re-forecasting exercise.

I hope this information is useful to the Committee's inquiry, and also sets out some of the issues that arise here at Westminster.

A handwritten signature in blue ink, appearing to read 'David Natzler', is written over a printed name.

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Dyddiad cyhoeddi: 7 Chwefror 2018

Annwyl Simon

Diolch am eich gwahoddiad i fynychu'r Pwyllgor Cyllid ar 15^{fed} o Fawrth i drafod ymchwiliad y Pwyllgor i'r ffordd y mae Comisiwn y Cynulliad yn defnyddio'r tanwariant sy'n deillio o Benderfyniadau'r Bwrdd Taliadau. Rydw i wedi gofyn i fy Archwilydd Cyffredinol Cynorthwyol, Anthony Barrett, i fynychu ar fy rhan. Bydd Ann-Marie Harkin, Arweinydd Archwilio Ariannol ar gyfer archwiliadau cyfrifon Comisiwn y Cynulliad, yno'n cefnogi Anthony.

Does gen i ddim byd i'w hychwanegu i sylwadau Anthony yn ei lythyr i'r Pwyllgor ar 20 Mehefin 2017 sydd wedi'i hatodi.

Yn gywir



HUW VAUGHAN THOMAS
ARCHWILYDD CYFFREDINOL CYMRU



Mr Simon Thomas AC
Cynulliad Cenedlaethol Cymru
Bae Caerdydd
Caerdydd
CF99 1NA

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Cyfeirnod: [AJB301]

Dyddiad cyhoeddi: 21 Mehefin 2017

Annwyl Simon

Comisiwn Cynulliad Cenedlaethol Cymru - Cyllideb Ddrafft

Diolch am eich llythyr, dyddiedig 24 Mai 2017, i'r Archwilydd Cyffredinol. Rwyf yn ateb ar ran Huw gan ei fod ef ar ei wyliau ar hyn o bryd.

Mae fy ymateb yn seiliedig ar yr hyn a wyddom am y materion fel y'u hamlinellwyd yn eich llythyr a'r trawsgrifiad ategol o'r Pwyllgor Cyllid. Nid ydym wedi cynnal adolygiad penodol o drefniadau'r Comisiwn ar gyfer gosod y gyllideb.

Ymddengys i mi fod yna ddau fater y mae angen ymdrin â hwy:

- Yr angen i'r Comisiwn ddarparu adnoddau digonol i gyllido penderfyniadau'r Bwrdd Cydnabyddiaeth Ariannol. Deallaf fod y Comisiwn yn gosod ei gyllideb ar y swm mwyaf y mae'n amcangyfrif y bydd ei angen i gyfarfod â'r angen hwn.
- Cyfrifoldebau'r Pwyllgor Cyllid i graffu ar gyllideb y Comisiwn, sy'n gymhleth oherwydd y ddarpariaeth wrth gefn ("tanwariant rhagweladwy") sydd wedi ei hadeiladu i mewn i linell gyllideb y Bwrdd Cydnabyddiaeth Ariannol.

Mae Trysorlys Ei Mawrhydi yn rhoi arweiniad yn ei gyhoeddiad,

'*Supply Estimates: a guidance manual*' ar ffurf a chynnwys Amcangyfrifon Cyflenwi. Ym mharagraff 2.1 dywed yr arweiniad hwn:

"Parliament expects departments to submit for approval Estimates based upon taut and realistic spending plans. This means that the amount of provision sought in the Estimates must reflect the department's best view as to the amount of expenditure likely to take place in that financial year. The amounts sought in the Estimate should be neither more (perhaps in order to provide a buffer in case of unexpected additions) nor less (perhaps in order to spread out the increase) than is actually expected to be needed."

Mater i'r Cynulliad Cenedlaethol yw penderfynu a ddylid cymhwyso arweiniad o'r fath yng Nghymru.

Rwyf yn llwyr gydnabod yr anawsterau ymarferol y mae'r Comisiwn yn eu hwynebu drwy orfod gwneud darpariaeth yn y gyllideb ar gyfer gwariant o'r fath sy'n cael ei arwain gan y galw. Mae'n ddiddorol, felly, adolygu sefyllfa derfynol 2015-16 a gyhoeddwyd ar gyfer pob un o gyrff cyfatebol y Comisiwn yn y DU ar draws llinellau cyllideb cyfatebol, fel sydd wedi eu crynhoi yn y tabl canlynol.

Corff	Disgrifiad o Wariant	Gwariant Amcangyfrifedig* £'000	Gwariant mewn Gwirionedd* £'000	Amrywiad £'000	% yr Amrywiad
Comisiwn Cynulliad Cenedlaethol Cymru	Adnoddau o ran penderfyniadau'r Bwrdd Cydnabyddiaeth Ariannol	14,500	13,453	1,047	7.2
Awdurdod Safonau Seneddol Annibynnol	Cyflogau ASau, staffio, costau busnes a threuliau	201,082	169,230	31,852	15.6
Cynulliad Gogledd Iwerddon	Cyflogau aelodau, treuliau a chostau gweinyddol	46,230	43,063	3,167	6.8
Corff Corfforaethol Senedd yr Alban	Nid yw'r Corff yn cynhyrchu crynodeb alldro manwl				

* Fel yr eglurwyd yn Natganiad Alldro Adnoddau'r corff

Rwyf hefyd yn crynhoi isod, ar gyfer blynyddoedd blaenorol, ganran tanwariant y Comisiwn ar benderfyniadau'r Bwrdd Cydnabyddiaeth Ariannol:

- 2014 -15: 5.5%
- 2013 -14: 3.2%
- 2012 -13: 4.2%

Dengys y dadansoddiad lefel uchel hwn, fod pob un o gyrff cyfatebol y Comisiwn wedi adrodd am danwariant cymharol sylweddol ar "gostau aelodau" ar gyfer 2015-16. Er nad ydym wedi adolygu prosesau gosod cyllideb y cyrff hyn, rydym wedi cael trafodaethau gyda chydweithwyr yn Swyddfa Archwilio Gogledd Iwerddon ac Archwiliad yr Alban, sydd wedi tynnu sylw at rai gwahaniaethau diddorol o ran trefniadau gosod cyllideb ar gyfer costau Aelodau. Er enghraifft, cawsom ar ddeall fod Corff Corfforaethol Senedd yr Alban yn amcangyfrif faint o lwfansau aelodau sy'n debygol o gael eu hawlio bob blwyddyn; tra bydd Cynulliad Gogledd Iwerddon, yn debyg i'r Comisiwn, yn gosod ei gyllideb ar y swm mwyaf sy'n daladwy, er ein bod yn deall bod yna drefniant anffurfiol i ad-dalu unrhyw danwariant. Os nad yw wedi gwneud hynny'n ddiweddar, efallai y byddai'n werth i'r Comisiwn ystyried gyda'i gyrff cyfatebol sut y maent yn ceisio rheoli'r rhan hon o'r gyllideb. Er nad wyf yn meddwl bod yna ateb syml i'r problemau yr ydych yn eu codi, rwyf yn cynnig isod ddau fodel i'r Pwyllgor Cyllid eu hystyried.

Sefydlu cyfanswm rheoli adnoddau ar wahân ar gyfer penderfyniadau'r Bwrdd Cydnabyddiaeth Ariannol

Ar hyn o bryd mae'r Cynnig Cyllideb a gafodd ei gymeradwyo gan y Cynulliad Cenedlaethol, yn cynnwys un terfyn adnoddau sengl ar gyfer y Comisiwn mewn perthynas â'i holl wariant. Gallech ystyried gyda'r Comisiwn y dewis o rannu hyn yn ddau gais am adnoddau: y cyntaf ar gyfer penderfyniadau'r Bwrdd Cydnabyddiaeth Ariannol; a'r ail ar gyfer gwariant arall y Comisiwn. Byddai'r dewis hwn yn ei gwneud yn bosibl cael mwy o dryloywder ym mhroses y gyllideb yn ei chyfanrwydd. Gellid gosod y cais gwreiddiol am adnoddau ar gyfer penderfyniadau'r Bwrdd Cydnabyddiaeth Ariannol ar lefel amcangyfrifedig ar gyfer y flwyddyn a cheisio unrhyw adnoddau

ychwanegol fyddai eu hangen drwy broses y gyllideb atodol. Byddai'r dull hwn, i bob pwrpas, yn trosglwyddo'r risg o ddarparu adnoddau digonol ar gyfer penderfyniadau oddi wrth y Comisiwn i'r rheolaeth gyffredinol ar gyllideb floc Cymru.

Byddwn yn nodi, fodd bynnag, y byddai'n anarferol i gorff deddfwriaethol ymarfer rheolaeth mor fanwl dros gyllideb corff.

Cadw'r sefyllfa fel y mae gydag adrodd ychwanegol

Yr ail ddewis fyddai gofyn i'r Comisiwn roi mwy o fanylion yn ei gyflwyniad cyllideb, gan gynnwys:

- Y gyllideb amcangyfrifedig ar gyfer penderfyniadau yn y flwyddyn (yn seiliedig, o bosibl, ar brofiad hanesyddol); y swm mwyaf fel sydd wedi ei gynnwys ar hyn o bryd yn y cais cyffredinol am adnoddau; a'r lefel o ddarpariaeth wrth gefn (sef y gwahaniaeth rhwng y ddau ffigur).
- Gwybodaeth am y prosiectau y câi unrhyw danwariant yn erbyn cyllideb y penderfyniadau ei wario arnynt.

Byddai'r dull hwn yn rhoi'r cyfle i'r Pwyllgor Cyllid graffu ar holl gynlluniau gwariant y Comisiwn. Byddai gan y Pwyllgor wedyn dri dewis wrth ystyried y cais cyllideb:

- Cadarnhau'r cais mwyaf, a chaniatáu i'r Comisiwn ddefnyddio unrhyw danwariant ar ei brosiectau pwysicaf.
- Cadarnhau'r cais mwyaf, ond gofyn i'r Comisiwn gyflwyno cyllideb ddiwygiedig yn ddiweddarach yn y flwyddyn ariannol os oedd y gwariant disgwylidig ar Benderfyniadau yn debygol o fod yn sylweddol is na'r lefel uchaf. Byddai hyn yn galluogi'r Pwyllgor i benderfynu p'un a ddylid caniatáu i'r Comisiwn gadw'r cyllid ar gyfer ei brosiectau pwysicaf ynteu ailddyrrannu'r cyllid i gorff arall a gyllidir drwy Gronfa Gyfunol Cymru.
- Cadarnhau'r lefel ddisgwylidig yn hytrach na'r lefel uchaf o gyllideb a gofyn i'r Comisiwn gyflwyno amcangyfrif atodol os oedd disgwyl i'r gwariant gwirioneddol fod yn uwch na'r amcangyfrif cychwynnol.

Gobeithio y byddwch yn cael y wybodaeth hon yn ddefnyddiol. Nid wyf wedi gofyn i'r Clerc am bersbectif y Comisiwn ar y dewisiadau hyn. Efallai y bydd y Pwyllgor Cyllid yn dymuno gwneud hynny a gofyn yr un pryd am sylwebaeth fanylach ar reolaeth y gyllideb yng ngweinyddiaethau eraill y DU.

Yn gywir



Anthony Barrett
Archwilydd Cyffredinol Cynorthwyol



8 February 2018

Simon Thomas AC
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff, CF99 1NA
WALES
SeneddFinance@assembly.wales

Dear Simon

Re: Inquiry on the Remuneration Board's Determination Underspend (Welsh Assembly)

I am responding to your letter dated 8 December 2017 seeking an understanding of how New Zealand Parliament budgets relating to pay, allowances and entitlements for members of parliament are set and managed.

Background

In New Zealand, the [Members of Parliament \(Remuneration and Services\) Act 2013](#) (the Act) provides for members of Parliament (members) to be properly supported in a way that maintains confidence in the integrity of Parliament. The Act:

- provides for the remuneration of members;
- ensures they have services that they require to enable them to carry out their roles and functions;
- establishes an efficient and effective system for determining those services; and
- provides for travel services for family members of members.

Under the Act, entitlements for New Zealand members are determined by either the Remuneration Authority (the Authority, which is independent) or the Parliamentary Service (the Service). However, they are administered by the Service.

Salaries and expense allowance

Under the Act, the Authority must determine the salaries and the expense allowance to be paid to members. Section 12 of the [Remuneration Authority Act 1977](#) specifies how the salaries for members must be fixed. The Authority issues a [Determination](#) that specifies the salaries for members and specific office holders. The Determination also provides for an expense allowance for members which is used to cover out-of-pocket expenses incurred by members carrying out parliamentary business, such as for gifts, memberships and meals. In the past, increases to the allowance have been linked to the New Zealand Consumers Price Index movement. In 2017 the allowance was increased by 1.7% on the previous Determination in line with the New Zealand Consumers Price Index movement to 30 June 2017. The Service provides the payroll services for paying salaries and the expense allowance to members. Separate entitlements are available to cover expenses such as travel, accommodation and communications services.

Support services

Remuneration Authority

Under the Act, the following services must be determined by the Remuneration Authority:

- Accommodation services for members; and
- Travel services for family members of members.

The Authority issues a [Determination](#) that specifies the related entitlements for members. The explanatory memorandum at the end of the Determination provides useful background about the process followed, including who is consulted during the process. These services are administered by the Service.

Parliamentary Service

Under the Act, other entitlements are set by the Speaker of the House under [Directions by the Speaker of the House of Representatives 2017](#) and these entitlements include:

- Members' travel services;
- Administrative and support services for members, such as staff and offices;
- Communications services; and
- A capped contribution to a home based security system.

Directions are issued by the Speaker once every term of Parliament, so generally every three years and in time to take effect at the start of a new Parliament. Before issuing Directions, the Speaker must take into account any relevant advice given by the Parliamentary Service Commission¹. The Parliamentary Service Commission is required to recommend to the Speaker persons who are suitable to be members of a review committee (the Committee). A Committee must be established at least once every term of Parliament to review the amounts of money appropriated for members' entitlements set under the Directions. The Committee must consider whether the amounts of money appropriated are being used efficiently, and are adequate to enable members and parties to effectively perform their functions. The Committee consults with the Parliamentary Service Commission before making recommendations to the Speaker about issuing new Directions, including allocation amounts for members' support services. The Directions² specify the maximum amounts available to members for support services.

Budget Process

The Service follows the same process as all government agencies and departments in New Zealand and maintains baseline funding which rolls forward each year. Additional baseline funding (or a reduction in baselines) can be applied for on an annual basis. The Service applies for baseline funding for Members of Parliament (excluding salary costs) on a Parliamentary term basis – once every three years. The Service utilises the level of funding that has been recommended by the Committee and applies for the maximum amounts allowable per member. If the application is successful, the Service is issued with a series of appropriations (legal authority to spend) relating to each type of expenditure (<http://www.treasury.govt.nz/budget/process>). The series of appropriations relating to the Service is known as Vote: Parliamentary Service. Each appropriation within a vote has a scope statement that restricts expenditure under that appropriation to the scope.

Funding for members is down at the party level as funding for a party leader's office and wider leadership costs are also funded as well as costs associated with each member running a constituency office and hiring staff etc. Each party is given a multi-year appropriation that is restricted in time period and scope of expenditure. The [Vote: Parliamentary Service appropriation](#) is available online, and below is an example of an appropriation scope:

Scope statement for each political party in the 52nd Parliament of New Zealand:

This appropriation is limited to funding for the XYZ parliamentary party to support their parliamentary operations during the 52nd Parliament including its Leader's office, support staff, research operations, Whip's office, communications, administrative and support services for members, and, during the immediate post-election period, qualifying electoral candidates and former members, as allowed under directions given by the Speaker.

The appropriation can be adjusted on a bi-annual basis if the movements in the number or status of the members changes the level of funding they are entitled to under the appropriation. Members of Parliament and Leaders' offices can utilise funds under the Speaker's Directions up to the maximum stated. Any underspend cannot be utilised for other purposes by the Service as all expenditure must be made within the scope statement that governs each appropriation.

Appropriations are an authority to spend. The Service draws down against them based on cash flow forecasts rather than receiving the full amount and returning underspend. Members utilise funds directly – for example, all office, staff and incidental costs are paid directly by the Service as opposed to being paid for by the member and claimed back.

¹ Sections 14 and 15 of the Parliamentary Service Act 2000

² Schedule 4

I trust this assists and thank you again for the invitation to provide a submission. Should you require any clarification or further information, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'D Stevenson', with a stylized, cursive script.

David Stevenson
General Manager

Mark Drakeford AC/AM
Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA – P/MD/0457/18

Simon Thomas AC
Cadeirydd y Pwyllgor Cyllid

7 Chwefror 2018

Annwyl Simon

Diolch ichi am eich llythyr dyddiedig 8 Rhagfyr ynglŷn ag ymchwiliad y Pwyllgor ar danwariant sy'n deillio o benderfyniadau'r Bwrdd Taliadau.

Fel yr ydych chi'n gwybod, mae Llywodraeth Cymru'n gyfrifol am osod cynigion y gyllideb flynyddol a'r gyllideb atodol o dan Ddeddf Llywodraeth Cymru 2006 ac am gynnwys yn y cynigion cyllidebol hynny gyllidebau pob corff a ariennir yn uniongyrchol gan Gronfa Gyfunol Cymru.

Mae'r rheolau ar gyfer gosod y gyllideb ar gyfer pob corff a ariennir yn uniongyrchol gan Gronfa Gyfunol Cymru i'w cael mewn Rheolau Sefydlog. Maent yn sicrhau bod cyllidebau a gwariant yn destun craffu priodol gan y Cynulliad a bod cyrff yn atebol am y cronfeydd a ddefnyddir ganddynt.

Defnyddir yr wybodaeth a gyhoeddir ac y cytunir arni o dan y trefniadau hynny gan Lywodraeth Cymru i lunio'r gyllideb, a chael cytundeb ffurfiol arni, yng nghynigion y gyllideb flynyddol a'r gyllideb atodol.

Mae Llywodraeth Cymru yn gyfrifol hefyd am adrodd i Drysorlys EM ynglŷn â chyllideb bloc Cymru yn gyfan, gan gynnwys cyfanswm y tanwariant bob blwyddyn, ac mae'n rheoli'r trefniadau ar gyfer cario unrhyw danwariant drosodd. O ran y trefniadau ymarferol, mae sianeli cyfathrebu wedi'u sefydlu rhwng swyddogion pob corff a ariennir yn uniongyrchol a Llywodraeth Cymru i sicrhau bod y sefyllfa yn ystod y flwyddyn yn cael ei rheoli'n effeithiol.

Roedd diddordeb gennyf ddarllen adroddiad y Pwyllgor ar Gyllideb Ddrafft Comisiwn y Cynulliad a'r wybodaeth a ddarparwyd gan Archwilydd Cyffredinol Cymru yr oeddech chithau wedi'i chynnwys yn eich llythyr. Ni fyddai'n briodol imi fynegi barn am sut y dylai

Bae Caerdydd • Cardiff Bay
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CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Mark.Drakeford@llyw.cymru
Correspondence.Mark.Drakeford@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Comisiwn y Cynulliad osod ei gyllideb a sicrhau cytundeb arni, ond hoffwn gynnig y sylwadau a ganlyn.

Fel yr ydych chi'n gwybod, mae Llywodraeth Cymru wedi cymryd amryw o gamau dros y blynyddoedd i fod yn fwy tryloyw mewn perthynas â'i chyllideb. Mae hyn yn arbennig o bwysig yn ystod cyfnod o gyni cyllidol, pan fo cyllidebau'r sector cyhoeddus yn cael eu gwasgu'n gynyddol. Byddwn i'n croesawu unrhyw fesurau i sicrhau bod mwy o dryloywder ar draws y cyrff eraill a ariennir gan Gronfa Gyfunol Cymru.

Mae ein hagwedd at dryloywder yn Llywodraeth Cymru yn sicrhau bod adnoddau'n cael eu defnyddio at y dibenion y pleidleisiwyd drostynt a bod amcangyfrifon o wariant yn gadarn ac yn realistig. Wrth gynnig cyllidebau, rydym yn manteisio ar y dystiolaeth orau bosibl sydd ar gael inni ar gyfer llywio ein cynlluniau.

O ran yr agweddau mwy technegol ar adrodd ar danwariant a'i ddefnyddio, bydd Cronfa Wrth Gefn Cymru yn darparu'r mecanwaith ar gyfer cario tanwariant drosodd o un flwyddyn i'r nesaf. Bydd tanwariant gan bob corff a ariennir o Gronfa Gyfunol Cymru ar ddiwedd y flwyddyn yn mynd i'r Gronfa Wrth Gefn. Gall pob corff gynnig a gofyn am newidiadau i'w cyllidebau yn ystod y flwyddyn drwy broses y gyllideb atodol, a rheolir gofynion cyllid atodol yn ystod y flwyddyn gan Lywodraeth Cymru wedi i'r Cynulliad graffu ar gynnig y corff.

Gan mai symiau bach sydd wedi bod o dan sylw yn achos cyrff eraill a ariennir yn uniongyrchol, mae'r dull hwn wedi gweithio'n dda hyd yma. Fodd bynnag, os bydd lefelau tanwariant a/neu y cais am adnoddau yn ystod y flwyddyn yn cynyddu (a allai ddigwydd o dan yr awgrym a gyflwynwyd gan Archwilydd Cyffredinol Cymru), byddai'n rhaid inni sicrhau bod lefel gymesur o lywodraethiant yn gysylltiedig â'r broses hon i alluogi Llywodraeth Cymru i barhau i reoli sefyllfa'r Gronfa Wrth Gefn yn effeithiol ac i sicrhau nad yw adnoddau yn ystod y flwyddyn yn cael eu peryglu. Yn ymarferol, byddwn yn disgwyl gweld hyn yn cael ei adlewyrchu drwy wella'r llinellau cyfathrebu clir sydd eisoes wedi'u sefydlu rhwng swyddogion y cyrff perthnasol.

Gobeithio y bydd yr wybodaeth hon yn ddefnyddiol i chi.

Cofion gorau



Mark Drakeford AC/AM

Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



The Scottish Parliament
Pàrlamaid na h-Alba

The Presiding Officer
Rt Hon Ken Macintosh MSP

Simon Thomas AC
Chair of the Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

09 February 2018

Dear Simon,

National Assembly for Wales's Remuneration Board's Determination Underspend

I am writing in response to your request for information on how the Scottish Parliamentary Corporate Body budgets for expenditure related to Members' pay and allowances.

The arrangements for Members' salaries and for the reimbursement of expenses are set out in separate schemes, both of which were established by resolutions of the Parliament. These resolutions authorise the Scottish Parliamentary Corporate Body (SPCB) to administer certain aspects of the schemes, but any change to the schemes themselves require the approval of Parliament.

Salaries

The current Salaries Scheme has effectively been in place since 2002 and originally set Members' and ministerial salaries at 87.5% of the equivalent salaries for members of the House of Commons. The Salaries Scheme was amended with effect from April 2015 to replace the link to MP's salaries with a link to Scottish public sector earnings, as measured by the Annual Survey of Hours and Earnings (ASHE).

The budgeting for Members' salaries is relatively straightforward, as the number of Members is fixed and the ASHE index used to uprate the salaries is published in October, in advance of the SPCB finalising its budget submission. Accordingly, the actual figures for Members' salaries match very closely to the approved budget.

Reimbursement of Expenses

The current Reimbursement of Expenses Scheme has largely been in place since 2008. This implemented a series of recommendations from an independent review panel (the Langlands Report), which had been commissioned by the SPCB in 2007.

The Scheme provides for the reimbursement of various categories of costs which are incurred by Members in undertaking their parliamentary duties. Some of these categories, principally the Staff Cost Provision and the Office Cost Provision, are subject to a capped annual limit in each financial year. Other costs, such as travel, are reimbursed according to the rules of the Scheme and are therefore not subject to a capped annual limit.

Tudalen y pecyn 128

Our experience of the Scheme's operation over many years is that, in practice, many Members do not claim the maximum potential entitlement that the capped provisions would theoretically allow. Accordingly, we make an estimate of that percentage 'underspend' in setting the SPCB's budget for Members' Expenses. This varies across the different categories of expenditure provision.

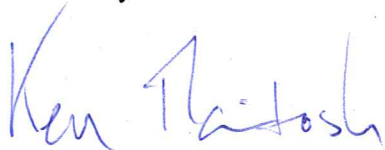
The outturn for Members' Expenses is less predictable than for Salaries, so a greater degree of tolerance needs to be built in to the annual budget to allow for different expenditure patterns.

Overall Budget

The budget for Members' salaries and expenses forms part of the SPCB's overall budget submission. To the extent that there is an overspend or underspend in Members' costs, it needs to be managed at a corporate level by compensating adjustments, either to the SPCB's central contingency or to the amount budgeted for other expenditure.

I hope that this response will be of assistance to your inquiry.

Yours sincerely



Rt Hon Ken Macintosh MSP
Presiding Officer



Northern Ireland
Assembly

Clerk to the Assembly/Chief Executive
Parliament Buildings, Ballymiscaw, Stormont
Belfast BT4 3XX
Tel: +44 (0)28 9052 1199
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Simon Thomas AM
Chair of Finance Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
CF99 1NA

9 February 2018

Dear Mr Thomas

Inquiry on the Remuneration Board's Determination Underspend

Thank you for your letter dated 8 December 2017 seeking views on how the Northern Ireland Assembly Commission (NIAC) budgets for expenditure related to Members' pay and allowances and to highlight any issues that may have arisen under this budgeting process. This evidence is provided in my role as the Accounting Officer for the NIAC's budget. I would be pleased to offer oral evidence to the Committee should that be required.

When compiling this evidence, I have considered the legislative context for the expenditure that is incurred by the NIAC in relation to Members' pay and allowances. It might be helpful to set out that legislative context.

The NIAC is the body corporate for the Northern Ireland Assembly. Section 40(4) of the Northern Ireland Act 1998 ("the 1998 Act") specifies that the NIAC "shall provide the Assembly, or ensure that the Assembly is provided, with the property, staff and services required for the Assembly's purposes." Sections 47 and 48 of the 1998 Act make provision for the Assembly to Determine the salaries, allowances and pensions payable to Members (and former Members) of the Legislative Assembly (MLAs).

In the Northern Ireland context, the equivalent body to the Welsh Remuneration Board is the Independent Financial Review Panel ("the Panel"). The Panel was established under section 1 of the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) 2011 ("the 2011 Act"). Section 2 of the 2011 Act specifies that the functions of the Panel are to make Determinations as to the salaries and allowances payable to MLAs under section 47 of the 1998 Act and the pensions, gratuities and allowances payable under section 48 of that Act.

The responsibility for Determining the quantum of pay and allowances for MLAs and any qualifying criteria attached to that expenditure falls to the Panel. The NIAC has responsibility for assessing whether those criteria have been met, for making resulting payments and for reporting on all payments made to MLAs each year. Budgeting for the costs associated with all payments made under a Determination also falls to the NIAC.

For the 2017/18 financial year, the NIAC's overall budget proposals (including MLAs' costs and all other revenue and capital costs) were presented to the Assembly's Audit Committee in October 2016 under a Memorandum of Understanding on the NIAC Budget Setting Process agreed with the Northern Ireland Executive (see Appendix A). This Memorandum was agreed as a response to budgeting exercises between 2010/11 and 2015/16 that saw the NIAC's budget reduced via Executive-led budget plans. The Memorandum was intended to place the process for setting the NIAC's budget on a more constitutionally sound footing.

The budget proposals that are presented to the Audit Committee include the costs arising from the most recent Determination issued by the Panel and the staffing and administration costs that are incurred by the NIAC when carrying out its statutory functions. In Estimates terms, the NIAC's expenditure is approved by the Assembly (or by Westminster for this financial year) under a single Vote. There has been some debate about the merits or otherwise of splitting this Vote into two parts; one for MLAs' costs and the other for Commission-incurred running costs but a single Vote has prevailed.

Although not explicitly set out in the Memorandum, there was considerable discussion with officials from the Department of Finance (DoF) about the treatment of costs associated with MLAs. These discussions were informed by previous cuts to the Commission's budget that were applied to the entirety of the budget when, in reality, the costs for MLAs could not be reduced as they were established under legislation (i.e. a Determination issued by the Panel). Consequently, the entirety of the budget cut was managed by the Commission through reductions in staffing and other running costs.

It was subsequently agreed that MLAs' costs would be estimated in full but that any excess budget provision that was identified during the financial year would be returned to the DoF. Similarly, should the costs associated with MLAs increase for any reason (for example, through a revised Determination issued by the Panel) the increase in costs over and above the initial estimate would be met in full from additional resources from DoF and the NIAC would not be required to fund this increase from its remaining budget.

In terms of the specific areas highlighted by the Committee and set out in your letter of 8 December, I will cover each in turn.

How the Assembly Commission forecasts its budget for Remuneration Board Determinations?

The NIAC forecasts its budgetary requirements for MLAs' costs based on the maximum possible uptake of those costs. A significant element of MLAs' costs

relates to set amounts (for example, salaries and travel costs are fixed), some of the remainder are variable amounts but are well known in advance (for example, office rental and rates costs based on existing leases or MLAs' staffing costs) and much of the remaining costs are covered by annual limits (for example, there is £4,900 limit for constituency office operating costs and a £600 limit for mobile phone costs).

MLAs' salaries are included in the forecast at the levels that are prescribed in the extant Determination. The Determination includes an annual uprating of salaries if certain inflation criteria are met and any uprating is included in the salary forecasts. Salary on-costs (for example, employer's national insurance contributions and Consolidated Fund payments to the Members' Pension Scheme) are also included in the forecast.

Costs for rent and rates for MLAs' constituency offices are constrained by limits set out in the Determination with the estimate of costs for each year based on the leases that must be provided to the NIAC before any rent or rates payments can be made. These lease amounts tend to be relatively stable. Similarly, the yearly costs for MLAs' staff are stable making forecasting relatively simple. Each MLA can employ 2.0 FTE members of staff and the Determination specifies pay scales for each member of staff with uprating provisions included. Therefore, the salary costs for MLAs' staff (including employer's on-costs) can be readily ascertained.

The forecast for those elements of the Determination that are expressed as limits are calculated as "number of MLAs x limit set out in the Determination". So, for constituency office operating costs this would be 90 (MLAs) x £4,900 (limit in Determination) = £441,000. Other costs of this type are forecast in a similar manner. In practice, not every MLA will utilise the full limit available but provision is made for the full amount in the NIAC's initial budgets to provide sufficient budgetary cover for this eventuality.

There are a small number of costs where year-on-year estimates are made. These include costs for statutory redundancy payments for MLAs' staff, for costs associated with MLAs retiring through ill-health and for costs that are claimed by MLAs as result of disability adjustments. These costs are estimated based on experience of previous claims of these types and from regular interactions with MLAs.

Whether the way in which the Assembly Commission provides information on the underspend is clear and transparent?

Any forecast underspend or overspend on MLAs' costs is calculated internally. As noted previously, the NIAC's budget for 2017/18 was agreed by the Audit Committee in October 2016. The budget that was approved for Non-Ring Fenced DEL Resources (i.e. Departmental Expenditure Limits Resources excluding depreciation and impairment charges) was £38.414m and this total was split according to the relevant categories of expenditure. Of this amount, £15.709m related to MLAs' costs covering MLAs' salaries, MLAs' Other Costs

(including winding up expenses, disability payments, etc.), MLAs' travel costs and constituency office costs (including MLAs' staffing costs).

Each month, the actual expenditure against the total budget is reported and revised forecasts for each category of expenditure are calculated. An extract from the management accounts for December 2017 is shown at Appendix B. These reports are reviewed by senior managers and reported to the NIAC. Following that review process, the actual expenditure for all categories of expenditure (including the various categories of costs associated with MLAs such as salaries, constituency costs, travel costs, etc.) is reported to the DoF. This reporting is largely for cash management purposes. In addition, the NIAC also reports to the DoF on its up-to-date forecasts for each of these categories including MLAs' costs on a monthly basis. In this way, the impact of the agreement that is mentioned above about releasing surplus funds (or seeking additional funds) is readily apparent.

The operation of the spirit and intent of the Memorandum has been clearly demonstrated throughout 2017/18. For example, the NIAC's budget for 2017/18 that was agreed in October 2016 included the costs associated with 108 MLAs. The unexpected Assembly election in March 2017 saw a reduction in the number of MLAs to 90. In addition, the absence of Executive Ministers and a lower than anticipated utilisation of the budget for MLAs' staff costs meant that there has been excess budget provision for MLAs' costs for 2017/18 of approximately £3.754m.

Although the political situation meant that the timing of in-year Monitoring Rounds was not as intended during the year, £3.0m of this total was immediately identified to the DoF and returned at the first available opportunity. This reduced amount was then included in the NIAC's budget plans presented to Parliament by the Secretary of State for Northern Ireland in the absence of local budget arrangements. The remaining surplus over and above the £3.0m that was initially identified arose over the course of the financial year and was also highlighted and returned to DoF in subsequent Monitoring Rounds. Therefore, the agreed procedure for dealing with surplus funds that arise from an underspend on costs associated with MLAs has been implemented.

In terms of external reporting, as the categories of expenditure are below the level that is reported in Estimates and Voted by the Assembly or Westminster, there is no routine external reporting of the total costs incurred on MLAs' pay and allowances. However, in the NIAC's Annual Report and Accounts, an analysis is provided of deviations of actual expenditure from Voted amounts. This analysis typically shows how these deviations have arisen according to the different categories of expenditure (for example, NIAC staff salaries, NIAC admin costs, MLAs' salaries, etc.). In addition, details of all payments made to each MLA are reported for each year on the Assembly's website.

How the Assembly Commission decides to utilise the underspend after meeting the Remuneration Board's Determinations?

As noted above, this situation does not arise as any underspends on MLAs' costs are released back to the DoF. However, if a scenario arose whereby there was underspend on MLAs' costs but the NIAC required additional resources for its other activities, the NIAC would release the surplus funds available from MLAs' costs and seek additional resources through the in-year mechanisms set out in the Memorandum. This may involve further interaction with the Audit Committee.

How other parliaments, within the UK and more widely, budget for expenditure related to Members' pay and allowances?

I trust that the above analysis provides a useful reply to this question from the Northern Ireland perspective.

It is acknowledged that the Memorandum of Understanding on the NIAC Budget Setting Process that underpins much of the above analysis has only been in operation for one year and that the current financial year has not been a normal accounting period. However, the principle that an underspend on MLAs' costs should be released and not utilised by the NIAC has been applied this year and the NIAC has no cause to doubt that it will apply in the future. Similarly, should a future Determination require additional funds, the NIAC anticipates that those funds would be made available without recourse to the other funding streams that are managed by the NIAC.

I trust that this information is helpful to the Committee.

Yours sincerely



LESLEY HOGG
Clerk to the Assembly/Chief Executive

MEMORANDUM OF UNDERSTANDING ON THE NIAC BUDGET SETTING PROCESS

Appendix A

Preparation of Draft Budget:

Context

The Assembly Commission (the "Commission") prepares a draft budget for the period of the Executive's Budget as notified by the Department of Finance (DoF). This budget is established in advance of the timetable established by DoF for Executive Departments;

Key Milestones

- a. As part of the development of the Commission's draft budget, the Commission actively obtains data and projections from the DoF relating to the wider outlook for the Northern Ireland Block for the entirety of the budget period;
- b. The Commission, taking account of the DoF projections, proposes its draft budget and presents it to the Audit Committee. At the same time, the Commission also provides the draft budget figures to the DoF;

Interaction with Audit Committee:

Context

Via an agreed mechanism (e.g. Standing Orders) and in keeping with the Executive budgetary timetable, the Audit Committee lays a report on the Commission's draft budget;

Key Milestones

- a. In advance of laying that report, the Commission attends an Audit Committee meeting(s) to give evidence on its draft budget;
- b. In advance of laying that report, the Audit Committee receives written evidence from DoF (cleared in advance by the Finance Minister) on the wider outlook for the Northern Ireland Block and the DoF view of the Commission's draft budget. In considering the Commission's draft budget, the Committee should have due regard to the evidence provided by the DoF.
- c. Evidence to the Committee from the DoF shall be included in the Committee's report to the Assembly;
- d. The Committee prepares and lays its report;

MEMORANDUM OF UNDERSTANDING ON THE NIAC BUDGET SETTING PROCESS

Appendix A

Finalisation of Budget:

Context

The Commission prepares its final budget, taking on board the recommendations of the Audit Committee and submits a motion to the Business Committee;

Key Milestones

- a. The Assembly as a whole debates the final budget in Plenary before voting on the motion (without amendment) that it be *"agreed and incorporated into the Executive's Budget and the subsequent Main Estimates."*
- b. The vote of the Assembly in respect of the Commission's budget is reflected, without amendment, in the budget prepared by the Executive;

In-Year Amendments to Budget:

Context

On an in-year basis, financial controls are established that are aligned to the arrangements for setting the initial budget.

Key Milestones

- a. The Commission prepares and submits its contribution to Monitoring Rounds and the Spring Supplementary Estimate. The submission of the Commission's contribution to Monitoring Rounds and the Spring Supplementary Estimate will be subject to agreed thresholds between the Commission and the Committee. If these thresholds are not exceeded, the Commission will not seek the Audit Committee's view on its in-year position.

Review:

This methodology will be reviewed within one year of its first use and at the conclusion of every Executive budget setting period.

NIAC INTERNAL MANAGEMENT ACCOUNTS EXTRACT

Appendix B

Finance Report - December 2017

£000	Opening full year budget presented to Audit to Committee	Full Year budget reported to DoF in Dec-17 Monitoring	Current Month - Dec 2017			Year to Date			Full year Outturn Forecast	Variance of Outturn Forecast to Opening Full Year budget	Variance of Outturn Forecast to Dec-17 Full Year budget	Prior Year Outturn
			Actual	Budget	Var	Actual	Budget	Var				
Income	-	(152,080)	(12,458)	(12,428)	30	(103,815)	(104,259)	(443)	(152,080)	-	(69,096)	
Secretariat Salaries	16,539,000	15,839,155	1,295,656	1,338,292	42,636	11,670,044	11,712,680	42,636	15,799,253	(39,902)	15,666,609	
Admin costs	5,309,000	4,414,871	305,253	308,732	3,479	3,329,532	3,333,011	3,479	4,407,854	(901,146)	4,825,771	
Members' Salaries	7,586,000	5,976,762	483,064	483,540	476	4,409,625	4,410,100	476	5,976,762	(1,609,238)	7,028,529	
Members' Other Costs	110,221	87,328	2,043	2,223	180	80,417	80,597	180	87,328	(22,894)	1,589,647	
Members' Travel	441,000	304,912	21,351	21,668	316	233,492	233,808	316	302,646	(138,354)	312,848	
Constituency Costs (incl. staff)	7,572,000	5,588,933	453,826	475,822	21,996	4,221,916	4,243,911	21,996	5,588,933	(1,983,067)	6,158,714	
Party Allowance	857,000	744,285	52,056	77,151	25,095	487,737	512,832	25,095	744,285	(112,715)	752,436	
(Profit)/loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-	272,099	
Total	38,414,221	32,804,166	2,600,793	2,695,000	94,207	24,328,947	24,422,680	93,734	32,754,982	(5,659,239)	(49,185)	36,537,557



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9 February 2018

Dear Mr Thomas

Inquiry on the Remuneration Board's Determination Underspend

The Independent Parliamentary Standards Authority (IPSA) is the statutory regulator responsible for determining the pay and pensions for UK Members of Parliament, as well as a scheme for the business costs and expenses which they can claim. IPSA was set up in 2009 to take on the role of regulating and administering business costs and expenses, which was previously carried out by the House of Commons. Our powers in relation to MPs' pay and pensions came into effect in 2011.

We understand that you are currently undertaking an inquiry to establish how the Assembly Commission forecasts its budget for Remuneration Board determinations, and as part of this how other parliaments budget for expenditure related to Members' pay and allowances.

The Office of the Clerk of the House of Commons have asked us to provide a response in respect of the areas that IPSA is responsible for. I am therefore attaching a short document which sets out the budget limits for MPs in different areas of expenditure, with information on how these figures were arrived at; as well as an explanation of how MPs' salaries and loss of office payments have been determined. I have also set out how these feed into IPSA's overall budget estimate.

I hope this is useful for the inquiry, but please do not hesitate to contact me if you require further or more detailed information.

Yours sincerely

Nicole Casey
Head of Policy and Assurance

CC John-Paul Flaherty, Private Secretary to the Clerk of the House of Commons

IPSA response to National Assembly for Wales Finance Committee Inquiry on the Remuneration Board's Determination Underspend

Scheme budget limits

Under the Parliamentary Standards Act 2009, IPSA has the power to prepare a scheme for MPs' allowances, which may impose limits on the amounts that are paid. We set budget limits for a number of areas of expenditure. MPs must normally stay within these limits; however in exceptional circumstances we can agree an uplift for an individual MP.

Below we have set out the budget limits for 2017/18 and an explanation of how they have been calculated. These are the basis for IPSA's budget for MPs' costs.

- **Accommodation (rent)**

Renting in London	Renting outside London
£22,760	£15,850

MPs from non-London constituencies can choose to rent a property in London, or in their constituencies. The London rental budget is based on the average cost of a one-bed property in the boroughs of Westminster and Lambeth, plus £3,000 for 'associated costs' (i.e. utilities and council tax). Previously, there were a number of bands for renting outside London, corresponding with different regions, but since 2017/18 they have been simplified and now all MPs can claim up to what was the highest band. This also includes a nominal £3,000 for associated costs.

- **Accommodation (associated costs only)**

London area MP	Non London area MP
£5,000	£5,000

MPs who do not need to rent because they own their homes can still claim for associated costs in either London or their constituencies. The limit was for several years set at £8,850, as a transitional amount from the period when MPs were able to claim for mortgage interest subsidies. However, from 2017-18 we used previous claims data over time to reduce this to an amount which more closely reflects what the vast majority of MPs actually claim in a year (£5,000).

- **Staffing costs**

London area MP	Non London area MP
£161,550	£150,900

The staffing costs budget covers primarily the salaries of MPs' staff members, as well as employers' contributions to National Insurance and pension schemes. It can also be used to cover incidental expenses for volunteers; one-off health and welfare costs such as eye tests; and other things related to employing staff. Staff can only be employed within certain job role categories and a corresponding salary range. In arriving at the budget figure, we assume four members of staff per MP – an Office Manager, a Senior Parliamentary Assistant and two

Caseworkers – and use the 60% mark of each salary range. These are totalled up and the on-costs added.

- **Office costs**

London area MP	Non London area MP
£26,850	£24,150

The office costs budget covers rental costs for MPs’ constituency offices, as well as equipment and stationery purchases, venue hire for surgeries and other costs that the MP judges are necessary for carrying out their role (and which are not covered by other budgets). Until 2011-12 there were two separate Constituency office rental expenses (CORE) and General Admin Expenditure (GAE) budgets. CORE and GAE were based on data of expenditure incurred by MPs which was provided to IPSA by the House of Commons, uprated for inflation. Afterwards, these two budgets were combined into a single office costs budget in order to provide greater flexibility for MPs. Since then, the limits have been uprated in line with inflation (for 2017-18 this was an increase of 1.6%).

- **Winding up costs**

London area MP	Non London area MP
£57,150	£53,950

MPs who leave Parliament – either because they stand down or lose an election – can continue to claim for costs for a further two months in order to wind up their affairs. These budget limits were originally based on an amount equivalent to three months of office and staffing costs, and have not changed since 2014/15. Most former MPs significantly underspend their winding up budget.

Salaries and loss of office payments

Our legislation also gives IPSA the power to set MPs’ salaries and other payments made in connection with an individual ceasing to be an MP (what we call ‘loss of office payments’). Information on these is set out below. These also feed into IPSA’s budget for MPs’ costs.

- **Basic salary**

All MPs receive a basic salary, provided they have taken the Oath. In 2015, after an extensive review spanning several years, we implemented a one-off increase to MPs’ salaries, to £74,000 per annum. At the same time, we indexed salaries to the average change in salaries across the public sector. In 2016/17 the salary was increased by 1.3% in line with this index, and in 2017/18 it was increased by 1.4%. It is currently £76,011.

- **London Area Living Payment**

MPs with a constituency in the London area receive a London Area Living Payment (LALP) on top of their basic salary. This additional sum recognises the higher cost of living and travelling in the London area. (However, they are not able to claim for accommodation costs or for commuting costs into Westminster.) Those MPs whose constituencies are in outer London receive an additional LALP amount, essentially to cover their higher travel costs. In 2017/18, the

LALP is £3,820 and additional LALP is £1,350. Previously these amounts had been stagnant (at £3,760 and £1,330) but were uplifted this year by inflation. The original amounts were based on recommendations made by the Senior Salaries Review Board in 2007, rated for inflation.

- **Additional salary for Committee Chairs**

MPs who are the Chair of a Select Committee or a Member of the Panel of Chairs receive an additional salary amount. In 2016 after a review this was set at £15,025 per annum for all relevant MPs. It is subject to the same annual adjustment as the base salary, in line with the average change in salaries across the public sector. In 2017/18 it was increased by 1.4% to £15,235.

- **Loss of office payments**

MPs who lose their seats at an election are entitled to a loss of office payment (LOOP), which is equivalent to twice their statutory redundancy entitlement. Because it is calculated based on the statutory entitlement, the amounts vary by individual depending on their age and length of service, and are only available to MPs who have completed at least two years of service. After the 2017 General Election, the amounts that former MPs were entitled to ranged from £1,956 to £29,340.

IPSA's budget estimate

Our approach to budgeting aims to be accurate and minimise underspends, whilst remaining prudent. Each year, IPSA produces a budget estimate which must be approved by the Speaker's Committee for IPSA (SCIPSA). The estimate covers MPs' costs, known as 'Subhead A', as well as IPSA's own costs, known as 'Subhead B'. This section is focused on how the estimate for Subhead A is produced.

With regard to MPs' costs subject to budget limits, we do not as a general rule assume 100% uptake by MPs. We use data from previous years to establish a reasonable assumption of the uptake in each area. This ensures that the money drawn from the Treasury over the course of the year is a closer approximation of the actual amounts spent. However, we do provide a 1% contingency in the budget to cover for any unexpected changes that could not be foreseen at the time of budget setting.

Arriving at a budget estimate for salaries and LALP is more straightforward as there are fixed numbers of relevant MPs. The exception is the additional salary for Committee Chairs, as the number can fluctuate during a year. We budget based on the number of relevant MPs at the time.

IPSA does not retain any money or carry forward unspent budget to subsequent years; all unused budget is sent back to HM Treasury. We also do not transfer monies between Subhead A and Subhead B.

Mr Simon Thomas AC
National Assembly for Wales
Chairperson of Finance Committee
Cardiff Bay
Cardiff
CF99 1NA

7 February 2018

Dear Mr Thomas

National Assembly for Wales Remuneration Board's Determination Underspend

Thank you for your letter of 8th December 2017 regarding your inquiry into the budget for expenditure related to Members' pay and allowances.

My response is detailed in the paragraphs below and is based on our knowledge and understanding of the Northern Ireland Assembly Commission's processes. We have not carried out a detailed review of the Commission's budget setting arrangements but have highlighted what we consider to be the most significant aspects in terms of your inquiry.

How the Assembly Commission Forecasts its budget for Remuneration Board determinations

The costs payable to Members, are provided for under determinations issued by the Independent Financial Review Panel¹ (IFRP). The current determinations are set out in the IFRP's report issued in March 2016 and provide *'the detail of and rationale for the salaries, pensions and expenses that the panel has determined will be payable to Members of the fifth Northern Ireland Assembly, covering the period from May 2016 until 2021'*.

For example, Members' salaries during this determination period were initially set at £49,000 per annum and will rise by £500 pa. In relation to office expenses the maximum rent that can be claimed is £8,500 pa and up to £4,900 pa for office running costs. Therefore these expenses are restricted and can be forecast with a degree of certainty during the budget setting process.

The Commission includes 100% of members' allowances in their initial budget request.

In 2016-17 the budget for members' pay and allowances amounted to £16.7 million split between £7.8 million for pay and £8.9 million for allowances.

The Commission's budget setting process for 2016-17 involved engagement with the then Minister for Finance and agreeing that the controllable (excludes Members expenditure) elements of their budget for 2016-17 would be reduced by a further 5% from the 2015-16 baseline.

¹ The Independent financial review panel is legislated under the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) 2011. Its function is to make a determination in relation to the salaries and allowances payable to members of the Northern Ireland Assembly Commission under section 47 of the Northern Ireland Act 1998 (the 1998 Act), and pensions, gratuities and allowances payable to Members under section 48 of the 1998 Act.

This reduction did not apply to the full budget. Instead, it was only applied to those costs that were within the control of the Commission, namely Secretariat expenditure. In relation to the Commission's budget setting process, Members' expenses are deemed to be uncontrollable and therefore excluded from any reductions as neither the Commission nor the Executive can amend these costs.

Reviews carried out by the Department of Finance (DoF) and an internal management reporting cycle, enables the Commission to monitor its resource and cash requirements over the course of the year. The Commission's budget is requested as a single resource limit, covering all its expenditure.

We are aware that the Commission have agreed a new approach to its budget setting process were they will present draft budget proposals to the Assembly's Audit Committee who will scrutinise the draft budget. Once the Audit Committee has completed its scrutiny, their conclusions will be reported to the Assembly. The Assembly will then vote on the Commission's budget plans and, if approved, that budget will be forwarded to the DoF for inclusion, without amendment, in any subsequent budget presented to the Assembly by the Executive. [This new approach is currently on hold until the NI Assembly resumes its operations.]

Whether the way in which the Assembly Commission provides information on the underspend is clear and transparent

During the financial year, there is regular re-profiling and adjustment to Secretariat and Members' budgets. As part of their budgeting and cost monitoring processes, the Commission maintain a record of expenditure incurred to date as well as any future constituency office staff salary and rent commitments for each member.

Every month the ninety Members will receive a line by line breakdown of their annual expenditure to date and commitments to the year-end, which are compared to the maximum allowable expenses provided by the IFRP determination. This process helps the Commission identify any potential over or underspend at an individual level and cumulatively for all members.

Each month the Commission's Finance Branch prepare a full set of management accounts and forecasts which are formally presented to the Senior Management Group (SMG). Expenditure Reports are generated by the 5th working day of each month for all cost centres which are circulated to budget managers and directors. The reports show actual v budget to date and also budget forecast for the full year.

An analysis of variances is undertaken by directors and their Head of Business (HOB) and this is discussed at a monthly meeting between each of them and the Finance Office.

These meetings take place between the 6th and 7th working day and inform the re-profiling and adjustments to each category of expense. All Directors return a breakdown of this analysis outlining the revised forecasts and how much is being bid for or surrendered. Surpluses must be explained clearly and where no longer required they must be identified for surrender. The Commission's Finance Branch then collates this information which is reported back to SMG by way of a formal paper.

The Commission's Finance Branch prepares a monthly summary of bids and surrenders for consideration by the Senior Management. Once agreed, the Finance Branch then process the bids and surrenders in time for the next month's expenditure report. This information is used to inform the formal Departmental monitoring rounds as appropriate, with surplus funds being surrendered at the earliest opportunity.

Following the formal DoF Dec/Jan monitoring round, when the overall expenditure is fixed to the Spring Supplementary Expenditure position, the emphasis of the monthly process shifts from looking at potential underspends and subsequent surrenders to focussing more on the most efficient utilisation of the remaining resources.

Transparency of the actual spend on Members' pay and allowances is evident from disclosure in the NI Assembly Commission Resource Accounts. The Remuneration and Staff Report details the members' salary-based costs which amounted to £7 million in 2016-17. Note 5 Programme Costs records other payments to Members. In 2016-17 these amounted to £8.8 million. The overall spend on members' pay and allowances for 2016-17 is therefore £15.8 million.

How the Assembly Commission decides to utilise the underspend after meeting the Remuneration Board's determinations

While the members allowance budget is not formally ring fenced, the NI Assembly has an informal arrangement with DoF that any surplus members' allowance monies are returned to DoF and are not vired to other headings.

Should you wish to discuss further any matters within this letter please do not hesitate to contact me.

Yours sincerely

Kieran Donnelly
Comptroller and Auditor General



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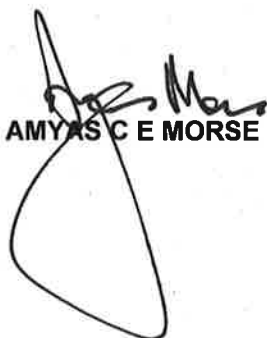
Date 19 February 2018

Dear Mr Thomas,

Thank you for your letter of 8 December. You invited me to provide written evidence to support an inquiry to establish how parliaments, such as the United Kingdom's, budget for expenditure related to Members' pay and allowances.

In the United Kingdom the remuneration of Members of Parliament is determined by the Independent Parliamentary Standards Authority (IPSA), which I audit under statute. I am aware that my technical team has enabled a member of your staff to make direct contact with IPSA, which is best placed to comment on the budgetary process for Member's pay and allowances.

I have no observations to make regarding the function of the National Assembly for Wales.


AMYAS C E MORSE



Eitem 7

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon

Eitem 8

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon

Yn rhinwedd paragraff(au) vi o Reol Sefydlog 17.42

Mae cyfyngiadau ar y ddogfen hon

Mae cyfyngiadau ar y ddogfen hon