

# **Second Supplementary Budget 2020-21: Explanatory Memorandum**

January 2021



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A photograph of a glass display case containing a sign. The sign is divided into two sections: the top section has Welsh text and the bottom section has English text. The background is a wood-slatted wall with a blue structural pole and a white triangular panel.

Croeso  
i'r Senedd  
—  
Welcome  
to the  
Senedd



# Contents

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





# 1 Background

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

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

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

A further £1.600million was provided for non-cash accounting adjustments in respect of the Members of the Senedd Pension Scheme, through the Annually Managed Expenditure budget.

In line with Standing Order 20.32 an **Explanatory Memorandum** was laid, supporting a variation to the Commission's 2020-21 budget within the Supplementary Budget Motion (standing Order 20.30). The Supplementary Budget Motion was approved in Plenary on 24 June 2020 following scrutiny by the Senedd's Finance Committee.

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

## 1.1. Explanatory memorandum

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

## 1.2. Annually Managed Expenditure (AME)

The Commission's AME budget is for the **non-cash** accounting adjustment in respect of the future financial liability of the Members of the Senedd Pension Scheme. The purpose of this adjustment is to ensure a true and fair view of the Scheme liability is recorded in the statement of financial position of the

Commission; it does not reflect the monetary sums paid by the Commission into the Scheme. There is no associated cash requirement and making changes to it has no impact on the Commission Resource budget or service delivery.

The final value cannot be calculated until after 31 March 2021, but estimates are requested from professional advisors during the year. Based on calculations reflecting known changes to the discount rate and other variables which impact on the estimated liabilities of the scheme, the latest estimate is £1.93 million.

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

### **1.3. Provision for accrued annual leave.**

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

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

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

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

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



## 1.4. Budget impact

The Supplementary Budget Motion proposes the following:

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

## 2 Budget Ambit

This supplementary budget submission is laid in compliance with Senedd Standing Order 20 to assist in the compilation of the Budget Motion required by Section 126 of the Government of Wales Act 2006. This submission seeks to amend the resource and annually managed expenditure requirements of the Senedd Commission for the year ending 31 March 2021.

The Supplementary Budget Motion authorises the net resources to be used for the services and purposes of Members and Senedd Services. The motion includes the maximum income (or accruing resources) that may be retained for use on those services and purposes instead of being paid into the Welsh Consolidated Fund, and the cash amount that will need to be issued from the Welsh Consolidated Fund to meet the anticipated net amounts falling due for payment by the Commission.

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

Table 1	Revised £000
<p>Resources other than accruing resources for use by the Senedd Commission (“the Commission”) on resource and capital costs associated with the administration and operation of services to support the Senedd; promotion of the Senedd including payments to the Electoral Commission and others; payments in respect of the Commissioner for Standards and Remuneration Board; any other payments relating to functions of the Senedd or the Commission.</p> <p>Resources other than accruing resources for use by the Commission in respect of decisions of the Remuneration Board and expenditure in respect of Members of the Senedd Pension provision.</p>	60,625
<p>Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Commission:</p> <ul style="list-style-type: none"> <li>▪ from the disposal of fixed assets and other capital income for use on the purchase or acquisition of fixed assets; or</li> <li>▪ rental income; gifts; grants; recharges and income from commercial sales and other services provided to the public or others for use on administrative costs of the Senedd.</li> </ul>	220
<p>Amount to be issued from the Welsh Consolidated Fund to meet the anticipated amounts falling due for payment in the year in respect of the above services and purposes less expected retainable receipts and recoverable VAT.</p>	56,075



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

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