

Supplementary Budget 2020-21: Explanatory Memorandum

May 2020



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Welsh Parliament
Cardiff Bay
CF99 1SN

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

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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; and
- £16.172million for the Remuneration Board's Determination for Members of the Senedd;
- £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.

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

1.1. Explanatory memorandum

The effect of the Commission's supplementary budget will be to decrease the Senedd Services budget in line with the notification received from HM Treasury that it has agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of International Financial Reporting Standard (IFRS) 16 Leases until 1 April 2021.

1.2. International Financial Reporting Standard (IFRS) 16 Leases

At the time of laying of the Commission's budget on November 2019, the Commission was required to adopt a new Accounting Standard, (IFRS) 16 with effect from financial year 2020-21.

This new standard requires all leases to be accounted for on a consistent basis. Previously, leases classified as "operating leases" were not recognised and were reported "off-balance sheet". This change primarily affects the treatment of the lease of the Tŷ Hywel building in Cardiff Bay which houses the majority of Commission staff.

IFRS 16, as reflected in the Commission's 2020-21 budget, results in an increase to the depreciation and interest finance charges.. These charges are partially offset by a decrease in the office rental cost shown in the budget. The overall Commission budget had increased when compared with pre-IFRS 16 figures..

However, these changes, as shown in the laid budget document, did not increase the cash requirement from the WCF. The same amount of cash rental cost will be incurred but the accounting presentation was shown to be different. Additional columns were added to the tables in Annex 1 of the budget document to illustrate the movement in the Commission budget, pre and post IFRS 16 adjustments.

In March 2020, the Commission was informed by HM Treasury that it has agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 Leases until 1 April 2021. This is because of the circumstances caused by Covid-19.

This means that the Commission Budget for 2020-21 will not need any adjustments for IFRS 16. This Supplementary Budget is therefore presented to reverse the changes made to reflect the implementation of IFRS 16 in 2020-21.

The supplementary budget will amend the laid budget to now show pre-IFRS 16 figures. The Commission's revised budget for 2020-21 will therefore be **£59.575 million**, this is less than the post-IFRS 16 budget of **£61.411 million**.. The cash requirement will stay the same at £56.075 million.

The Commission is therefore proposing a supplementary budget as a result of the change in the implementation date for IFRS 16 - Leases, of £59.575 million.

1.3. Budget impact

The Supplementary Budget Motion proposes the following:

- a decrease to the Senedd Services budget of £1.836 million to £59.575 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>	59,575
<p>Accruing resources for retention pursuant to section 120(2) of the Government of Wales Act 2006 and use by the Commission:</p> <ul style="list-style-type: none"> ▪ from the disposal of fixed assets and other capital income for use on the purchase or acquisition of fixed assets; or ▪ rental income; gifts; grants; recharges and income from commercial sales and other services provided to the public or others for use on administrative costs of the Senedd. 	220
<p>Amount to be issued from the Welsh Consolidated Fund to meet the anticipated amounts falling due for payment in the year in respect of the above services and purposes less expected retainable receipts and recoverable VAT.</p>	56,075

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

Table 2: Cash requirement	£'000 2020-21 Revised
Members' net revenue requirement	16,172
Election related expenditure	500
Commission net revenue requirement	40,803
Net capital requirement	500
Annually Managed Expenditure	1,600
Subtotal	59,575
Adjustments	
Depreciation	(2,250)
Movements in provisions	(1,600)
Movement in debtors and creditors	350
Subtotal	(3,500)
Net cash requirement from the Welsh Consolidated Fund	56,075