

The Electoral Commission

Supplementary Estimate

2023-24

March 2024

This report sets out the request for a variation to the Electoral Commission budget for 2023-24. The Electoral Commission is requesting an additional £53,900 to meet pressures related to pay awards and a cyber-attack.



1. Conclusions and Recommendations

Conclusion 1. The Committee is satisfied with the assurances provided by the Commission that all direct costs included in the Supplementary Estimate for 2023-24 relate to the Commission’s work on devolved Welsh Elections and should be attributable to the Welsh Consolidated fund.....11

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Recommendation 2. The Committee recommends that the Commission specifically keeps in touch with the Committee in relation to the staffing of the finance team.11

2. The Electoral Commission Supplementary Estimate 2023-24

Background

1. The Electoral Commission (the Commission) wrote to the Llywydd's Committee (the Committee) to request an additional £53,900 from the Senedd via the Supplementary Budget process. This was at the same time as it submitted its Estimate for 2024-25, on 28 September 2023.
2. This request was included in the Welsh Government's supplementary budget which was laid on 20 February 2024¹.
3. The Supplementary Estimate is seeking an additional £53,900 (which equates to an increase of 3.8% on its original Estimate for 2023-24) to meet pressures related to pay awards and cyber security.
4. The revised estimate for the Electoral Commission is attached at annex A to this report.
5. During a previous session with the Commission in November 2022, the Committee asked whether there was a possibility the Commission would need to submit a Supplementary Estimate for 2023-24 given inflationary pressures. The CEO of the Commission at that time, Shaun McNally, said:

At this stage, I wouldn't envisage having to submit another supplementary estimate, but should that change, my commitment is to keep this committee apprised of that fact. But I am satisfied that rigour has been applied and that that gives us, through effective control and stewardship of the budget— . I don't anticipate asking for more.²

6. The Committee initially considered this request at its meeting on 7 November 2023, when it also considered the Estimate for 2024-25. However, the

¹ Supplementary Budget Motion 2023-24

² RoP, 7 November 2022, paragraph 111

Committee felt there was not enough time to consider the necessary detail on the request at this meeting, and so scheduled a follow-up meeting on 22 January 2024. The meeting was attended by the following representatives of the Commission:

- Professor Dame Elan Closs Stephens CBE (Electoral Commissioner for Wales)
- Rob Vincent (Interim Chief Executive)
- David Moran (Interim Finance Director and Accounting Officer)
- Rhydian Thomas (Head of the Electoral Commission in Wales)

7. The Committee consulted with the Welsh Ministers in accordance with Standing Order 20.34A (ii)(a) on 3 October, at the same time as consulting with them on the 2024-25 Estimate. The advice of the Counsel General and Minister for the Constitution was received on 24 October 2023.

8. In his response to the Committee regarding the Commission's Supplementary Estimate for 2023-24, the Counsel General and Minister for the Constitution, Mick Antoniw MS, notes:

I can confirm the activities described by the Electoral Commission in the supplementary estimate for 2023-24 are in line with the Welsh Government's expectations and is affordable within the funds transferred from HMT.³

9. However, the Counsel General also highlights "previous assurances made by the Commission that realistic pay assumptions were already included in the substantive estimate for 23-24".

10. The Supplementary Estimate 2023-24 is seeking additional funding to meet two pressures relating to a cyber-attack and pay awards.

³ Counsel General and Minister for the Constitution, [Letter from Counsel General and Minister for the Constitution](#), 24 October 2023.

Pay awards

- 11.** In its 2022-23 Supplementary Estimate, the Commission required £7k of additional funding for pay awards.
- 12.** The Supplementary Estimate reports that the pay awards for 2023-24 were higher than the level expected when the Commission submitted its original estimate. The Commission says it has aligned its pay settlement to that of the wider Civil Service that permitted average pay awards up to 4.5% with further flexibility to make awards up to an additional 0.5%, targeted at lower pay bands.
- 13.** The Commission also aligned itself to the Pay Remit Guidance in making a fixed non-consolidated payment of £1,500 per full-time employee for those in delegated grades for 2023-24, subject to eligibility.
- 14.** The Committee wrote to the Commission on 29 November 2023 to ask for “assurance on the regularity and propriety of making this payment in advance of a supplementary budget being agreed by the Senedd”⁴. The Commission wrote back on 12 December 2023⁵ explaining the internal processes which led to the decision to make the payment, and that they considered it was more desirable to ask for a supplementary estimate to cover the payment rather than cutting and curtailing core functions such as running the annual tracker survey, filling vacant roles and travelling to engage with local authorities.
- 15.** The Committee questioned the Commission on what would need to be cut should it not agree the request for a supplementary estimate. Rob Vincent responded:

*...if a supplementary estimate is not approved, then we will have to cut quite a bit of our support to, in particular, communications with the public and with returning officers, effectively, and electoral administrations.*⁶

- 16.** The Commission notes it had originally budgeted for a 4% pay settlement (£553,000), but the combined effect of the above is an additional overall cost of

⁴ Committee [letter to the Electoral Commission](#), 29 November 2023.

⁵ Electoral Commission [letter to the Committee](#), 12 December 2023.

⁶ RoP, 22 January 2024, paragraph 17

£1,014,000. The effect on the supplementary budget bid for the Senedd is circa 8.3% of this sum being £38,500.

17. The Counsel General, in his letter to the Committee, regarding the Commission's Supplementary Estimate for 2023-24, states:

Current statements from the UK Government clearly indicate that pay awards must be managed within existing settlements for Whitehall Departments and there will be no consequential funding being made available for Wales.⁷

18. The Committee questioned why the Commission did not inform the Committee of its intention to submit a Supplementary Estimate or communicate with the Committee about its intention to make a £1,500 payment to its staff, and Rob Vincent concurred that "...we should have done, and I can only really apologise in retrospect that that's what occurred."

19. The Committee asked what efforts the Commission undertook to identify efficiencies to meet additional costs incurred in 2023-24 from its existing budget. Rob Vincent explained that the Commission had "...searched earnestly for internal savings"⁸, and that it took on board the UK Treasury advice that had been highlighted by the Counsel General. However, the Commission itself is small and had insufficient contingency to absorb the additional pay award. The efficiencies found were outlined by Rob Vincent:

The actions we did take— and there were some savings— were delaying the filling of posts; we also tightened the negotiation of some of our external contracts in order to make savings.⁹

He also assured the Committee that the Commission had invested in core operational systems including their finance team and accounts system. He explained that this increased investment was necessary to ensure processes such as budgeting were more robust in the future.

⁷ Counsel General and Minister for the Constitution, [Letter from Counsel General and Minister for the Constitution](#), 24 October 2023.

⁸ RoP, 22 January 2024, paragraph 15

⁹ RoP, 22 January 2024, paragraph 51

Cyber-attack

20. The Supplementary Estimate 2023-24 notes that the Commission was targeted by a cyber-attack, which was identified in October 2022 and publicly announced in August 2023.

21. In its letter sent to the Committee on 8 August 2023, the Commission elaborated on the cyber-attack saying:

During the cyber-attack, hostile actors were active in our systems and had access to the Commission's servers which held our email, our control systems, and copies of the electoral registers. We believe our email system and the electoral registers were accessed, but we do not know if any data was copied or downloaded.¹⁰

22. The Committee questioned why it had not been informed of the cyber-attack at the time. David Moran explained the following:

...there was an incident discovered, and because of the nature and sensitivity and because of the very complicated and sophisticated approach used, there was a considerable amount of expectation on us not to say or speak openly of what had happened for some months...I think, if the question is, 'Could we have, in confidence, shared with one or more people on the committee?', I think it's a distinct possibility that it would've perhaps been appropriate, but I think we were also working to other parties who had an interest in making sure that this didn't enter the public domain at the time.¹¹

23. The Committee also questioned the timescales, asking what investment was required in 2022-23 and where the money came for this investment, considering the secrecy around the attack. David Moran explained:

¹⁰ Electoral Commission, [letter to the Committee](#), 8 August 2023

¹¹ RoP, 22 January 2024, paragraph 55

I think there may have been specific changes over those last few months of 2022-23, but they were, in a way, a progression...many of those people on the periphery, including those making forecasts and those managing finances, were not privy to the fact that these contracts were going through, unless it was on a need-to-know basis, because of the sensitivity of the fact that we have a major investigation going on, not just within the organisation but outside the organisation, to identify what techniques were used and by whom.¹²

24. In its Estimate, the Commission mentions “some additional costs associated with managing the systems to improve security transferring systems to the cloud were identified in the budget bids for 2023/24 at £312,000, which was requested via the main bid from the Speaker’s Committee of the UK Parliament”.

25. It further notes:

This, however was not the only cost directly attributable to the increases in our cyber-security and in 2023/24, we will also incur running costs of a further £308,000. Of this sum, we are seeking 5%contribution being £15,400 from the Senedd...

26. The Committee asked how hostile actors were able to circumvent its security, and the Commission explained that although they had a strategy in place to improve their cyber security, they did not implement it quickly enough to prevent the attack taking place.

27. The Committee also questioned why the Commission was not aware what data was copied or downloaded and whether it had been made aware since the letter of 8 August 2023. Rob Vincent responded that they did now, and that “... there was no impact on anybody on the electoral registers in Wales or elsewhere...”¹³

28. The Committee was concerned about the historical under-investment in cyber security, and asked how this would impact on funding sought in this area

¹² RoP, 22 January 2024, paragraph 60

¹³ RoP, 22 January 2024, paragraph 62

from the Senedd in the future including any further supplementary budgets. Rob Vincent responded:

...we are confident that we've put into the budget provision for next year all the costs of the responses to the advice from the cyber security committee. I can give you no guarantee that we won't have further cyber challenges that we are not anticipating and have not been advised over by the cyber security committee. So, you can never, I'm afraid, give a total guarantee that new challenges will not arise that require further interventions, but in terms of interventions that come from this past quite significant attack, yes, we have made provision for those in the main budget.¹⁴

General Comments

29. In summary, the Committee questioned the Commission on the overall health of its internal processes and systems, considering that salary and payment commitments were made without assurances of the relevant resources to make them, the accountancy systems had to be improved as did cyber security. Rob Vincent responded:

It's clear that we did have significant weaknesses in some of our central teams, our central systems— Elan's already said as much. That was the case. Inferred is a question as to whether we are now back on top of that and whether we're in a more secure position. My view is 90 per cent yes....So, I think we should go into 2024-25 in a secure position.¹⁵

30. Rob Vincent and David Moran also outlined that recruitment into permanent teams in finance and procurement was still ongoing but should be completed by September.

¹⁴ RoP, 22 January 2024, paragraph 76

¹⁵ RoP, 22 January 2024, paragraph 81

The Committee's View

31. The Committee is content with the request from the Commission for additional resources.

32. The Committee notes the response from the Welsh Ministers that the amount requested is “affordable within the funds transferred from HMT.”

33. Whilst the Committee notes the difficulties around the pay negotiations in 2023-24, including the inflationary pressures and staff retention, it is concerned that the Commission did not think to communicate that they had decided to make the payment. However, the Committee welcomes the undertaking from the Commission to ensure that there is better communication in future, as evidenced by the communication plan outlined in its recent letter.

34. The Committee notes that the Commission attempted and succeeded to find some internal savings before submitting its request for a Supplementary Estimate, and notes the details of these savings. The Committee also notes that the Commission had identified the cut backs it would have to make in the case that the Supplementary Estimate was not agreed.

35. Whilst the Committee notes the confidential nature of the issues around the cyber-attack, it would like to highlight that where it is not possible to give a formal update to the Committee on matters in future, confidential discussions can take place with the Chair.

Conclusion 1. The Committee is satisfied with the assurances provided by the Commission that all direct costs included in the Supplementary Estimate for 2023-24 relate to the Commission's work on devolved Welsh Elections and should be attributable to the Welsh Consolidated fund.

Conclusion 2. In general, the Committee is satisfied the Supplementary Estimate for 2023-24 is consistent with the economical, efficient and effective discharge by the Commission of its functions in relation to devolved Welsh elections and devolved Welsh referendums.

Conclusion 3. The Committee remains concerned about communication from the Commission in relation to additional funding, as well as more confidential matters such as cyber security.

Recommendation 1. The Committee recommends that the Commission builds on its current communication plan over the next year and communicates any potential changes to the budget in a timely manner.

Recommendation 2. The Committee recommends that the Commission specifically keeps in touch with the Committee in relation to the staffing of the finance team.

Annex A

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The
Electoral
Commission

David Rees, MS

Chair, Llywydd's Committee

Senedd Cymru

Cardiff Bay

Cardiff

CF99 1SN

28 September 2023

Dear Chair

Re: Supplementary Estimate 2023/24

I am writing to advise you of several financial pressures that have arisen in 2023/24, and therefore to request an additional **£53,900** from the Senedd for this year via the supplementary estimate process to meet the following two pressures.

Firstly, as you will be aware, the Electoral Commission was targeted by hostile actors via a sophisticated cyber attack. This was identified in October 2022 and announced publicly in August 2023. Some additional costs associated with managing the systems to improve security transferring systems to the cloud were identified in the budget bids for

2023/24 at £312,000, which was requested via the main bid from the Speaker's

Committee of the UK Parliament. This however was not the only cost directly attributable to the increases in our cyber-security and in 2023/24, we will also incur running costs of a further £308,000. Of this sum, we are seeking 5% contribution being **£15,400** from the Senedd, with the remainder being 8% from the Scottish Parliament and 87% from the UK Parliament.

By way of context the Commission was not the only national infrastructure organisation targeted, as we are aware of targets as diverse as The Royal Mail, the criminal records office ACRO, and the Metropolitan Police, thus highlighting the vulnerability of public sector bodies to motivated attackers and the extreme sensitivity of the data they hold. We must therefore accept future steps in reducing the risks of ransomware, third-party attacks and social engineering being successfully used to breach critical systems.

Secondly, the pay awards for 2023/24 have been higher than the level expected when we submitted our original estimate. The Commission has aligned its pay settlement to that of the wider Civil Service that permitted average pay awards up to 4.5% with further flexibility to make awards up to an additional 0.5%, targeted at lower pay bands. In addition to this, for 2023/24, we also aligned ourselves to the Pay Remit Guidance in making a fixed nonconsolidated payment of £1,500 per full-time employee for those in delegated grades, subject to eligibility. The Commission originally had budgeted for 4% pay settlement (£553,000), but the combined effect of the above is an additional overall cost of £1,014,000. The effect on the supplementary budget bid for the Senedd is circa 8.3% of this sum being **£38,500**.

Please note the budget set for 2023/24 did not factor further contingency sums that could be used to reduce the pressure of the cyber attacked driven changes or the pay award, and other initiatives to reduce costs are being used to offset other pressures including changes to enhance capability.

Finally, may I take this opportunity to thank you and the Committee for your on-going support for the Commission's activities in Wales.

Yours sincerely,



Shaun McNally CBE

Chief Executive and Accounting Officer, Electoral Commission