

Y Bwrdd Rheoli Management Board

MB (07-09) Paper 2 (Part 1) Financial Management Report

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Financial Management Report: Year to Date Period Ended 31 July 2009

This paper has been prepared for consideration by the Management Board and has been deemed suitable for publication on the Intranet site.

OVERVIEW OF FINANCIAL PERFORMANCE FOR THE PERIOD

1. The net spend to the end of July was £13.6million. This represents an underspend of 8% (£1.2million) against the profiled budget for the period. 5.3% (£0.8million) is the result of committed expenditure not being charged in the period as planned. If this is taken into account, the current underspend is 2.7% (£0.4million). The KPI target is for variances of no more than 2% actual spend to budget at year end and work is in hand to address this, as explained in para 5 below. For the same period last year, the underspend was 1.8%.
2. Supporting detailed analysis is provided in the Annex:
 - Note 1 presents budget performance by service area
 - Note 2 provides variance explanations
 - Note 3 summarises spend by type of expense
 - Note 4 provides an overview of the Contingency budget, approved virements and potential further calls on the Contingency
 - Note 5 lists the potential further calls on the Contingency
 - Note 6 lists achieved in-year efficiencies, savings and underspends
 - Note 7 provides an overview of the projected year-end outturn
 - Note 8 presents an overview of percentage spend to date this year compared with last year.

KEY MESSAGES TO THE BOARD and RISK ASSESSMENT ON THE APPROVED BUDGET FOR THE YEAR (£47.751million)

3. The Welsh Government laid a supplementary budget on 14 July (GEN-LD7634) which included a budget increase of £1.95million for the Assembly Commission which, if approved by the Assembly, will increase

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the Commission's budget to £49.701million. The Commission is seeking this increase to ensure that we have sufficient resources to fund the Unified Network project ("UNO"), the business case for which was agreed after the proposed budget for the year was approved. Information has been provided to the Finance Committee explaining the rationale. We flagged to the Assembly last autumn that the Commission might need to return for a supplementary budget to support delivery of our *i*-change plans, of which the UNO forms the foundation. A date has yet to be set for the supplementary budget motion to be debated.

4. Key risk areas within the budget are:

⊗ UNO – there is still some uncertainty about costs and timing, most notably the allocation of work and costs between the current financial year and 2010-11. There is a need to:

- i. Provide clarity on total costs as soon as possible – the current generous estimate for budgeting purposes is £2.7million
- ii. Identify the profiling of spend between 2009-10 and 2010-11 – we may need to take action to balance available resources between the two years
- iii. Monitor the project closely to ensure any significant changes are identified and considered as early as possible.

⊗ The Pierhead project –now that listed building consent has been received, contracts are being let and completion is still planned within the current financial year and within the approved budget of £1.05million.

⊗ The level of flexibility within the Commission's overall budget and in-built Contingency. Current potential calls on the Contingency (£1.9m) exceed the funds available (£1.4m) but we have identified further savings and underspends with budget managers that should address the shortfall. Our current best estimate, set out in Note 7 of the Annex, is a projected overall underspend of circa £0.1million at year end, based on the informed assumptions for further savings and underspends likely to be identified, and additional financial pressures we expect to face.

5. ⊗ It is also evident from the overview for this and previous periods that accurate budget profiling continues to be challenging. We are working with External Communications, HR and Security to trial a new approach to profiling forecast spend and will roll this out if it proves successful. At service level, the approach focuses on forecasting the spend profile accurately rather than the budget profile. At the organisational level it will provide earlier identification of funding shortfalls or savings to better support decision making, and make our out-turn forecasts more robust. In tandem, we are reviewing processes for raising Purchase Orders and paying invoices to ensure a more efficient operation, prompt payments to our suppliers and that we minimise administration and maximise use of our finance system, making better use of CODA's accruals facility. This should prevent committed expenditure appearing as an underspend when

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the invoice hasn't been received. This will all help address part of the timing issue mentioned in the overview.

6. ✓ Since April, almost £0.4m has been returned from service budgets into the Contingency budget and further savings and underspends have been identified. We will review service-based Efficiency Plans during September and we recognise the need to provide further advice and support to drive forward the efficiency agenda.

ACTIONS RECOMMENDED TO THE BOARD

7. It is recommended that Board members:

- a. **Consider the appropriateness and justification of the budget performance variances for their respective service areas;**
- b. **Raise any significant issues which have not been picked up in the forecast outturn projections. This may be estimated cost increases, or new spend proposals, or potential savings/underspends which have not previously been identified;**
- c. **Review the key risks flagged in the report and consider any further mitigating actions that should be taken.**

ANNEX TO THE FINANCIAL MANAGEMENT REPORT
detailed analysis of the financial position

1. Budget Performance for the period April – July 2009-10

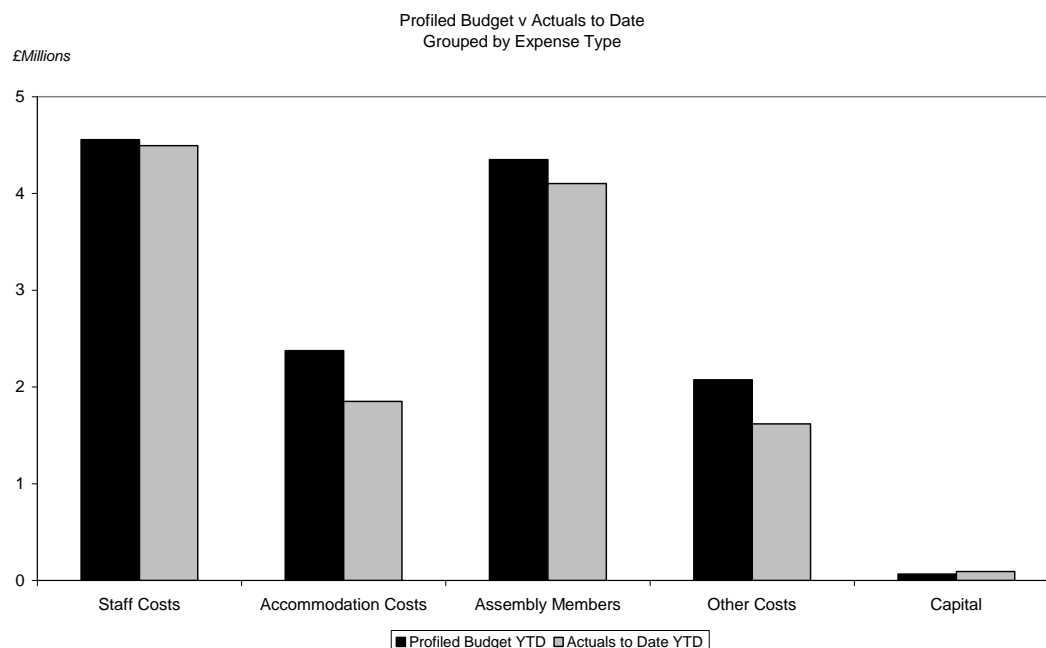
Service	Profiled budget (£'000)	Actuals to date (£'000)	Budget remaining for the period (£'000)	Variance %	2009-10 Annual Budget (£'000)
Corporate Unit	566	495	71	13	1,786
Legal Services	204	175	29	14	647
	770	670	100	13	2,433
OPERATIONS DIRECTORATE					
Human Resources	498	518	-20	-4	1,426
Estate & Facilities Management	2,711	2,182	529	20	7,660
Financial Services	254	246	8	3	723
Members Pay & Allowances	4,376	4,147	229	5	13,045
ICT	1,250	1,073	177	14	4,778
External Communications	804	712	92	11	2,724
Security	760	685	75	10	2,281
	10,653	9,563	1,090	10	32,637
ASSEMBLY BUSINESS DIRECTORATE					
Members' Research Service	615	635	-20	-3	1,922
Chamber & Legislation Services	351	333	18	5	1,161
Translation & Reporting Service	589	579	10	2	1,993
Committee Service	411	346	65	16	1,345
Co-ordination Unit	31	29	2	5	95
	1,997	1,922	75	4	6,516
Total – Cash Items	13,420	12,155	1,265	9	41,586
Depreciation & Notional Interest	1,400	1,452	-52	-4	4,200
Members Pension Fund Provision					500
Contingency					1,135
Members Contingency					330
Totals	14,820	13,607	1,213	8	47,751

2. Explanation of Variances outside 2% Tolerance for period to July 2009

Service/Variance %/£'000	Reason for Variance	Action Being Taken to Rectify
Corporate Unit 13% under budget 71	Invoices for External Audit costs accrued in 2008-09 (63) not yet received.	External Audit costs should fall into line once invoices for work carried out last year are received.
Legal Services 14% under budget 29	Due to underspends on staff costs caused by vacancies (27).	A significant underspend has been identified in discussions with the Head of Service and will be returned to contingency in due course.
Human Resources 4% over budget 20	Insurance costs and Leadership programme over spent (65), but balanced by underspends totalling 43k	This service is currently trialling a new forecasting system which has identified a potential overspend of £100k for the Leadership programme – funds to be vired shortly.
EFM 20% under budget 529	Delay in receipt of invoices (502) across several budget lines is the major cause of the underspend	Finance Co-ordinator is chasing invoices from contractors to bring matters up to date. Affected budget lines will be re-profiled to more accurately reflect the revised position, Finance will liaise with service to ensure accuracy of future profiling/forecasting. EFM will be involved in our review of Purchase Order and invoice payment processes.
Members Pay and Allowances 5% under budget 229	Mainly due to Members not claiming full salary, office costs allowances and additional costs allowance entitlements (152). As well as lower than expected travel claims (76)	£0.226million has been identified to be returned to the contingency from various budget lines, with re-profiling to bring budgets back into line. Sum to be returned already included in projected outturn.
ICT 14% under budget 176	The major cause is an underspend against the IT projects line due to year-end adjustments from 2008-09 (146)	The Finance Co-ordinator is liaising with the Welsh Government in respect of invoices awaited for us under the Siemens' contract.
Chamber and Legislation Office 5% under budget 18	Mainly due to underspends on staff costs (15)	This service is restructuring and will soon be recruiting additional staff which will use up underspends for the rest of the financial year.

Committee Service 16% Under budget 65	<p>Underspend on staff costs (24) caused by vacancies.</p> <p>Underspend on AM and staff travel as anticipated visits have not yet happened but will be going ahead (21).</p> <p>Underspend on Expenses – advisors/witnesses (12).</p>	<p>A service restructure is currently underway which will involve use of the underspend.</p> <p>Work expected to be charged against Expenses – advisors/witnesses has been postponed, resulting in the underspend. Re-profiling will take account of the new starting date.</p>
External Communications 11% Under Budget 92	<p>Due to a delay in receiving invoices (47), a delay in the Pierhead project while awaiting listed building consent (25), staffing vacancies (10) and lower than expected activity regarding Commonwealth Parliamentary Association Expenses (6).</p>	<p>This service is currently trialling a new forecasting system and will reprofile the budget lines accordingly.</p>
Security 10% under budget 75	<p>Overspends on overtime (30) caused by delay in full implementation of new shift patterns, balanced by significant underspending against the police contract budget (104) due to invoice timing issues and a vacancy at sergeant level that has yet to be filled.</p>	<p>This service has been asked to take part in the new forecasting trial, which will give a better understanding of the causes for the underspend. We are also looking at making better use of CODA's accruals facility to prevent committed expenditure appearing as an underspend just because the invoice hasn't been received.</p>

3. Profiled Budget Vs Actuals to Date – Grouped by Expense Type



4. Virements

Contingency Balance:	Released from Service Budgets (£'000)	Allocated to Service Budgets (£'000)	Contingency Balance at End of Month (£'000)
<i>Opening working balance 01/04/09</i>			983
April	163	-161	985
May	210	-	1,195
June	-	-60	1,135
July	-	-	-
Sub Total	373	-221	1,135
Potential Calls			-1,947
Contingency in Members' budget			330
Potential Remaining Balance (sub total)			-482

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5. Summary of potential demands as at 31 July 2009

Service	Potential Demands	Estimated value (£'000) of potential demands at 30 June 2009	Situation as at 30 June 2009	Estimated value (£'000) of additional bids in June 2009	Released to Contingency in June 2009 (£'000)	Allocated from Contingency to Service Budget in June 2009 (£'000)	Estimated Potential call at 30 June 2009
External Communications	Phase 2 (&3?) of Pierhead Project	750	Total budget of £1.1 million including £0.3 million from External Comms' budget				750
ICT	Unified Network	717	Dependant on supplementary budget approval				717
	Changes to FTR Gold	10	Yet to be allocated				10
	Installation of technical equipment	34	Yet to be allocated				34
Corporate Unit	New Posts – change programme	114	New Bid in June – yet to be allocated .				114
	Further External Audit work	5	Yet to be allocated				5
	Extension of Members Review panel - extra funds required	53	Yet to be allocated. Awaiting business case				53
EFM	Further costs for refurb 3A	87	Yet to be allocated. Awaiting business case				87
	ROP Screens/Booths	25	Yet to be allocated. Awaiting business case				25
	Green Team	16	Yet to be allocated (removed from Corporate Unit Budget).				16
HR	Leadership Programme	100	To be allocated when programme reviewed				100
Finance	Part time HEO post	36	Yet to be allocated				36
	TOTAL	1,947					1,947

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6. In – Year Efficiencies and Savings

Service	Details	Recurring Efficiencies (£'000)	Non -Recurring Efficiencies (£'000)
Committee Service	Returned from Advisors – expenses/witnesses account, as not expected to be spent based on historical spend		28
	Returned from Agency staff budget line as not expected to be spent, based on historical spend		40
EFM	Returned from Window Cleaning – as cost is fixed and additional funds were not required.		11
	Returned from Dry Cleaning, as dry cleaning costs are no longer incurred as a result of buying new uniforms		3
	Returned from refuse budget, following an allocation error		58
Members' HR	Returned from AMSS T&S budget, as not expected to be spent, based on historical spend		87
	Returned from AM database project		8
MRS	Money returned from ICT project as in-house solution found		40
Corporate Unit	Money returned from various budgets as not expected to be spent		19
ICT	Money returned from various budgets as not expected to be spent		4
HR	originally allocated for ICT project that is not expected to go ahead this year		75
Total		-	373

7. *Projected Final Outturn Over/Underspend*

	<i>£'000</i>	<i>£'000</i>
Original Contingency Budget		1,000
<i>Less Required Efficiency Savings (in approved budget)</i>		(250)
<i>Add Savings identified prior to 1 April 2009</i>		233
<i>Add the contingency within the Members' budget, no longer required.</i>		330
<i>Add savings/underspends already identified since April 2009</i>		373
<i>Less additional funds already allocated to service budgets</i>		(221)
		1,465
<i>Add Vacancy factor – an estimate of savings arising from vacant posts during recruitment</i>		150
<i>Add Other potential savings identified but not yet returned to contingency</i>		100
<i>Add Expected underspend on members' allowances</i>		500
		2,215
Additional Financial Pressures:		
• Additional Staffing costs (various)	(203)	
• Pierhead (net of £0.300m savings in External Comms budget)	(750)	
• Leadership Development Programme	(100)	
• 3A further costs	(87)	
• Unified Network	(717)	
• Other smaller amounts	(90)	(1,947)
Sub total		268
• Increase in depreciation & notional interest charges		(160)
Projected (overspend)/underspend balance		108

**8. Budget Performance Comparison 2009-10 to 2008-09
comparing the % of the profiled budget spent to date in both years**

Service	2009-10 % spent to date	2008-09 % spent to date
Corporate Unit	87	98
Legal Services	86	74
	87	92
OPERATIONS DIRECTORATE		
Human Resources	104	130
Estate & Facilities Management	80	107
Financial Services	97	101
Members Pay & Allowances	95	96
ICT	86	101
External Communications	89	75
Security ¹	90	
	90	99
ASSEMBLY BUSINESS DIRECTORATE		
Members' Research Service	103	89
Chamber & Legislation Services	95	87
Translation & Reporting Service	98	99
Committee Service	84	93
Co-ordination Unit	94	94
	96	93
Total – Cash Items	91	98
Depreciation & Notional Interest	104	-
Members Pension Fund Provision	-	-
Contingency	-	-
Members Contingency	-	-
Totals	92	98