

Y Bwrdd Rheoli Management Board

MB (05-10) Paper 9 (Part 1) Financial Management Report

Cynulliad
Cenedlaethol
Cymru
National
Assembly for
Wales



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Financial Management Report

This paper has been prepared for consideration by the Management Board and has been deemed NOT suitable for publication on the Intranet site as it contains information subject to audit.

OVERVIEW OF FINANCIAL PERFORMANCE

Year to Date Period ending 31 May 2010

1. The net spend to the end of May was £6.62million or 14% of the annual budget. Whilst preliminary budgets were issued in time for the start of 2010-11, the reprioritisation exercise in May confirmed final operational budgets for services which were issued on 7 June. Profiled budgets are expected by 17 June 2010. The June Financial Management Report will include detailed variance analysis together with the accompanying notes.
2. As we do not have profiled budgets to the end of May, a comparison of the spend against the same period in 2009-10 has been included. This shows that our spending this year is in line with the equivalent period in 2009-10. We have spent £0.39 million more (or 1% higher) than the equivalent period in 2009-10. but as we do not have profiled budgets it is not appropriate to draw any conclusions from this. Details are in Annex A to this report.

KEY MESSAGES TO THE BOARD

3. The Directors, Management Board and Change Board have been involved in key decisions in the budget allocations for 2010-11 against a background of additional financial pressures due to the need to finance the UNO project from existing resources.
4. The key decisions taken to ensure the 2010-11 budget remains balanced include:

- Reducing service budgets by £1million of discretionary expenditure. To manage the risk associated with these demand led budgets a central fund (£350k) has been set to meet any anticipated calls. This has been calculated on the basis of fully funding red risks (£284k) and providing 25% funding for amber risks;
- Managing posts that become vacant more robustly with the expectation that such posts will be vacant for a minimum of 3 months. We have set a target of achieving £250k savings from this approach;
- Recruitment to new and existing posts to be fully supported by a business case requiring sign off by the Chief Executive;
- To continue to utilise any savings generated during the year from the Assembly Members' and their support staff salary costs and the AMs' allowances;
- Retaining the £334k contingency for genuine unforeseen expenditure;
- Reducing the budget for the Change Programme project bids to £987k plus £1.8million for UNO; and
- To ensure improved financial reporting clearly demonstrates how we are delivering against the savings targets that have been set.

The revised project budget for 2010-11 will be issued shortly.

FOR INFORMATION

5. Annex B to this report contains the provisional outturn for the last financial year. This report includes the normal suite of budget and forecast plans with actual expenditure. It is a provisional report until the Wales Audit Office completes the final audit.
6. The Finance team will be compiling lessons learned from 2009-10 particularly the effectiveness of forecasting the year end position. Note 11 in Annex B shows the degree of fluctuation to the year end position over the latter half of the year.

ACTIONS RECOMMENDED TO THE BOARD

- 7. It is recommended that Board members:**
 - a. Review the outturn position to the end of May;**
 - b. Review the decisions taken to attain a balanced 2010-11 Assembly Budget position, seeking clarity where required; and**
 - c. Note the provisional outturn for 2009-10.**

**Annex A to the Finance Management Report
Period April 2010 to May 2010**

Service	Spend April-May (£'000) 2009-10	Outturn (£'000) 2009-10	2009-10 Variance %	Spend April- May (£000) 2010-11	Annual Budget (£000) 2010-11	2010-11 Variance %
Corporate Unit	180	1843	10	261	1908	14
Legal Services	79	599	13	96	656	15
Projects	0	4,359	0	7	2,787	0
	259	6802	4	364	5,352	14
OPERATIONS DIRECTORATE						
Human Resources	312	1,456	21	208	1,014	21
Estate & Facilities Management	846	7,568	11	1,005	6,919	15
Financial Services	116	774	15	159	836	19
ICT	404	4,586	9	259	3,939	7
External Communications	318	2,317	14	332	2,367	14
Security	297	2,312	13	296	2,313	13
Procurement and Sustainability	0	138	0	21	132	16
Members' Business Support	0	0	0	41	346	12
	2,294	19,150	12	2,321	17,867	13
ASSEMBLY BUSINESS DIRECTORATE						
Members' Research Service	303	1,775	17	301	2,002	15
Legislation & Chamber Services	164	1,052	16	190	1,204	16
Translation & Reporting Service	266	1,796	15	283	1,917	15
Committee Service	179	1,051	17	182	1,211	15
Co-ordination Unit	15	92	16	15	99	15
	927	5,766	16	970	6,433	15
Commission Services Total	3,480	31,718	11	3,655	29,652	14
Members' Pay and Allowances	2,023	12,422	16	2,118	12,921	16
Total - Cash Items	5,503	44,140	12	5,773	42,573	14
Depreciation	726	4,261	17	845	5,068	17
Other Finance Charges	0	172	0	0	0	0
Members' Pension Provision	0	268	0	0	500	0
Contingency	0	0	0	0	334	0
Potential Calls	0	0	0	0	632	0
In Year Savings	0	0	0	0	116	0
Staff Savings Target	0	0	0	0	-250	0
Total	6,229	48,841	13	6,618	48,973	14

Annex B to the Finance Management Report

Provisional outturn for the financial year April 2009 to March 2010

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|----------------|----------------------------------------------------------------------------------------------------------------------|
| Note 1 | presents performance by service area and projects. |
| Note 2 | presents performance by projects |
| Note 3 | provides variance explanations |
| Note 4 | provides details of virements/Contingency balance |
| Note 5 | provides details of In-Year Efficiencies, Savings and Funds released by Services reductions |
| Note 6 | funds released to Service budgets |
| Note 7 | reconciliation of final outturn |
| Note 8 | presents details of monthly year end forecasts over the past seven months by Service |
| Note 9 | graphs the movement in year end forecasts |
| Note 10 | presents details of monthly year end project forecasts over the past seven months |
| Note 11 | present an analysis by subject account code in line with the information presented in the financial accounts. |

1. Budget Performance for the financial year 2009-10

Service	Budget to date (£'000)	Actuals to date (£'000)	Variance for the period (£'000)	Variance %	March 2010 Forecast Outturn (£'000)
Corporate Unit	1,867	1,843	24	1	1,832
Legal Services	614	599	15	2	610
Projects*	4,245	4,340	-95	-2	3,750
	6,726	6,782	-56	-1	6,192
OPERATIONS DIRECTORATE					
Human Resources	1,476	1,459	17	1	1,430
Estate & Facilities Management	7,534	7,569	-35	-1	7,424
Financial Services	749	774	-25	-3	801
ICT	4,807	4,605	202	4	4,337
External Communications	2,424	2,317	107	4	2,318
Security	2,291	2,312	-21	-1	2,314
Procurement and Sustainability	132	138	-6	-5	140
	19,413	19,174	239	1	18,764
BUSINESS DIRECTORATE					
Members' Research Service	1,921	1,775	146	8	1,825
Legislation & Chamber Services	1,071	1,052	19	2	1,059
Translation & Reporting Service	1,854	1,797	57	3	1,768
Committee Service	1,145	1,050	95	8	1,052
Co-ordination Unit	95	92	3	3	89
	6,086	5,766	320	5	5,793
Commission Services Total	32,225	31,722	503	2	30,749
Members' Pay and Allowances	12,759	12,422	337	3	12,374
Total - Cash Items	44,984	44,144	840	2	43,123
Contingency	17	-	17	-	274
Holiday Accruals	-	190	-190	-	-
Depreciation & Notion Interest	4,200	4,261	-61	-1	4,356
Members' Pension Provision	500	268	232	46	250
Foreign Exchange/Finance Cost	-	-18	18	-	-
Total	49,701	48,845	856	1.7	48,003

2. Project Budget Performance 2009-10

Projects	Budget to date (£'000)	Actuals to date (£'000)	Variance for the period (£'000)	Variance %	2009-10 Forecast Outturn (£'000)
UNO	2,650	2,877	-227	-9	2,207
Legislation Software	50	0	50	100	0
ABMS	75	6	69	92	50
Members' Casework	350	338	12	3	350
Pierhead	1,120	1,119	1	0	1,143
	4,245	4,340	-95	-2	3,750

3. Explanation of Variances outside 2% Tolerance for budget year to 31 March 2010

Service/Variance % / £'000	Reason for Variance	Impact on 2010-11 budget
Financial Services: 3% over budget	Staff costs exceeded allocation but overspend authorised by Director of Finance	Steps being taken to reduce staff costs spend in 2010-11 by vacancy management
ICT: 4% under budget	Underspends: Broadcasting £92k and Contracted out ICT services £97k	Broadcasting contract subject to re-tender and increase in Contracted out ICT services wef from 1 April 2010 will be reflected in 2010-11 allocations
External Communications: 4% under budget	Underspends Marketing/Publicity £55k and Outreach Bus £45k	Work on 2010-11 budgets and funds released by service will address both areas of underspend
Procurement & Sustainability: 5% over budget	Unfunded post for part of the year incurred £12k additional cost	Post no longer in existence, 2010-11 budget allocations will accurately reflect correct position
Members' Research Service: 8% under budget	Underspends on staff costs £110k due to vacancies and staff T & S £16k	Budget Framework will ensure any underspends in 2010-11 will be returned to the centre for use elsewhere in the business
Translation & Reporting Service: 3% under budget	Underspends on staff costs £47k due to vacancies	Budget Framework will ensure any underspends in 2010-11 will be returned to the centre for use elsewhere in the business
Committee Service: 8% under budget	Underspends on AM T & S £20k, Staff costs £22k, Staff T & S £11k and Non Staff costs £40k	Work on 2010-11 budgets and funds released by service together with Budget Framework will address areas of underspend
Co-ordination Unit: 3% under budget	Underspend of £3k on Non Staff costs	Work on 2010-11 budgets and funds released by service will address underspend

<u>Projects</u>		
Service/Variance % / £'000	Reason for Variance	Impact on 2010-11 budget
UNO: 9% over budget	Overspend primarily due to resource accounting adjustments £361k	The additional funding required for completion of the project will require adjustments to service budgets for 2010-11
Legislation Software: No spend	Project was paused	Project will be active in 2010-11 subject to Change Board agreement
Assembly Business Management System: 92% under budget	Technical issues as a result of UNO caused project to be delayed	Project will be active in 2010-11 subject to Change Board agreement
Casework: 6% Under budget	Additional costs dependent on take up	Project completed no further cost implications apart from annual licence fees

4. Virements for the financial year 2009-10

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	793	-461	1,315
May	210	-	1,525
June	-	-60	1,465
July	-	-	1,465
August	-	-166	1,299
September	276	-	1,575
October	40	-73	1,542
November	60	-900	702
December	65	-12	755
January	232	-820	167
February	-	-	167
March	-	-150	17
Current Balance	1,676	-2,642	17

5. Funds released from Service Budgets including 2009-10 In-Year Efficiencies, Savings and budget reductions.

Service	Total Amount Returned (£'000)	Comments
Corporate Unit	19	
Legal Services	32	Included £19,000 staff costs. As a result of posts remaining vacant for longer than anticipated
	51	
OPERATIONS DIRECTORATE		
Human Resources	125	Money returned from AM Training (£20k), Corporate Training (£30k) and Includes £40,000 returned from staff agency costs that are no longer required and £57,600 from refuse that was allocated at the beginning of the financial year in error
Estate & Facilities Management	112	
Financial Services	-	
ICT	4	
External Communications	300	£300,000 found within the Service. Used to fund Pierhead
Security	-	
Procurement and Sustainability	-	
	541	
ASSEMBLY BUSINESS DIRECTORATE		
Members' Research Service	40	ICT project withdrawn as In-house solution found.
Legislation & Chamber Services	40	progress on ICT project slower than expected
Translation & Reporting Service	140	£100,000 staff costs £70,000 from staff and staff T&S. £20,000 from AM T&S. £35,000 not required for witnesses and £27,900 returned based on historic spending patterns.
	153	
Committee Service	-	
Co-ordination Unit	-	
	373	
Commission Services Total	965	
Members' Pay & Allowances	711	£643,000 returned based on historical spending patterns.
Total	1,676	

6. Funds released to Service Budgets in 2009-10.

Service	Total Amount issued (£'000)	Comments
Corporate Unit	-110	£40k for overspend in staff costs - error made when calculating points of scale. £52,500 for review panel staff x5 months. £5k for external audit budget for WAO (advice on UNO project). £12k Bilingual services review
Legal Services	-	
	-110	
OPERATIONS DIRECTORATE		
Human Resources	-154	New SEO post. £1,900 increase in T&S. £20k Mistakenly returned to contingency - returned for snow drop. £100k for Leadership Programme.
Estates & Facilities Management	-	
Financial Services	-50	New TS post and Part time HEO New EO post. £40k Increase in Broadcasting Costs. £40k Committee Room 4 additional costs. £700k for UNO Project.
ICT	-809	£300k Returned - to be used for Pierhead. £820k Pierhead project funding
External Communications	-1,120	Additional Staffing costs
Security	-33	Green Team Budget
Procurement and Sustainability	-16	
	-2,182	
ASSEMBLY BUSINESS DIRECTORATE		
Members' Research Service	-	
Legislation & Chamber Services	-	
Translation & Reporting Service	-	
Committee Service	-	
Co-ordination Unit	-	
	-	
Commission Services Total	-2,292	
Members' Pay & Allowances	-350	Caseworker Project
Total	-2,642	

7. Provisional Outturn Reconciliation for 2009-10

	£'000	£'000
Original Contingency Budget		1,000
<i>Less</i> Required Efficiency Savings (in approved budget)		(250)
<i>Add</i> Savings identified prior to 1 April 2009		233
<i>Add</i> Funds released from Service Budgets including In-Year Efficiencies, Savings and budget reductions		1,676
<i>Less</i> additional funds already allocated to service budgets		(2,642)
Current Balance		17
<i>Add</i>		
Underspend on members' allowances	337	
Services underspend	503	
Members Pension Provision released	232	
Foreign Exchange cost	18	
<i>Less</i>		
Increase in Depreciation & Notional Interest	(61)	
Holiday Accruals and Flexi Leave	(190)	
Under-spend		856
<hr/>		
Services underspend	503	
Foreign Exchange cost	18	
Increase in Depreciation & Notional Interest	(61)	
Holiday Accruals and Flexi Leave	(190)	
Commission	270	
Current Balance	17	
Underspend on members' allowances and Pension Provision released	569	
Under-spend		856

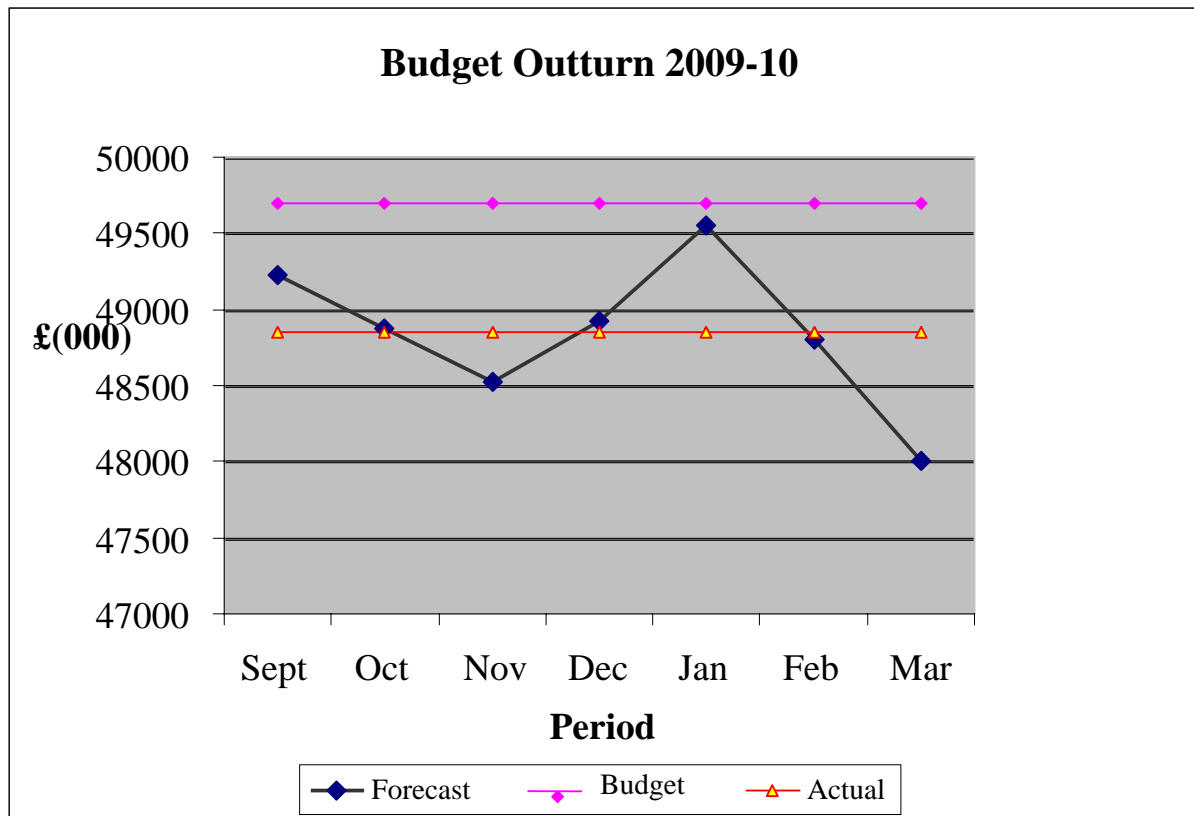
8. Service Areas' Year End Forecasts for 2009-10

Service	Forecast Sept (report) (£'000)	Forecast Oct (report) (£'000)	Forecast Nov (report) (£'000)	Forecast Dec (report) (£'000)	Forecast Jan (report) (£'000)	Forecast Feb (report) (£'000)	Forecast March (report) (£'000)
Corporate Unit	1,769	1,779	1,797	1,850	1,866	1,805	1,832
Legal Services	577	583	600	610	610	610	610
Projects	125	3,882	3,320	3,748	4,626	4,225	3,750
	2,471	6,244	5,717	6,208	7,102	6,640	6,192
OPERATIONS DIRECTORATE							
Human Resources	1,497	1,497	1,754	1,461	1,462	1,430	1,430
Estate & Facilities Management	7,675	7,513	7,538	7,537	7,521	7,427	7,424
Financial Services	790	794	795	794	797	801	801
ICT	4,932	4,744	4,875	4,818	4,639	4,639	4,337
External Communications	3,335	2,217	2,233	2,275	2,357	2,357	2,318
Security	2,231	2,321	2,304	2,292	2,296	2,314	2,314
Procurement and Sustainability	-	144	142	143	140	140	140
	20,460	19,230	19,641	19,320	19,212	19,108	18,764
Assembly Business							
Members' Research Service	1,828	1,846	1,823	1,832	1,835	1,834	1,825
Legislation & Chamber Services	1,054	1,051	1,049	1,068	1,061	1,061	1,059
Translation & Reporting Service	1,751	1,765	1,768	1,787	1,767	1,767	1,768
Committee Service	1,044	1,035	1,031	1,051	1,053	1,053	1,052
Co-ordination Unit	88	89	88	91	90	90	89
	5,765	5,786	5,759	5,829	5,806	5,805	5,793
Commission Services Total	28,695	31,260	31,117	31,357	32,120	31,553	30,749
Members Pay and Allowances	12,546	12,386	12,400	12,489	12,437	12,374	12,374
Total - Cash Items	41,241	43,646	43,517	43,846	44,557	43,927	43,123
Depreciation & Notion Interest	4,356	4,356	4,356	4,356	4,356	4,356	4,356
Members Pension Provision	500	500	500	250	250	250	250
Supplementary Budget	1,950	-	-	-	-	-	-
Total	48,047	48,502	48,373	48,452	49,163	48,533	47,729
Potential demands on Contingency	1,173	374	149	474	394	274	274
Total	49,220	48,876	48,522	48,926	49,557	48,807	48,003

9. Projects Year End Forecasts for 2009-10

Project	Forecast Sept (report) (£'000)	Forecast Oct (report) (£'000)	Forecast Nov (report) (£'000)	Forecast Dec (report) (£'000)	Forecast Jan (report) (£'000)	Forecast Feb (report) (£'000)	Forecast Mar (report) (£'000)
UNO Project	-	2,650	2,086	2,086	3,028	2,607	2,207
Members Casework project	-	-	-	320	350	350	350
The Pierhead	-	1,107	1,109	1,217	1,183	1,183	1,143
Legislation Software project	50	50	50	50	15	15	-
ABMS project	75	75	75	75	50	70	50
Total - Cash Items	125	3,882	3,320	3,748	4,626	4,225	3,750

10. Movement in Year End Forecasts for 2009-10



11. Subjective Analysis for 2009-10.

	2009-10 Actual Spend £000	2009-10 Supplementary Budget £000	2009-10 Budget £000
<u>Revenue expenditure</u>			
Members' salaries, allowances and related costs	12,642	13,335	14,000
Staff salaries and related costs ¹	13,937	13,900	13,870
Recruitment/other HR costs	205	176	170
Training & development costs	211	250	250
Staff travel and subsistence costs	135	210	230
Information and communications technology costs	3,618	3,878	3,970
Accommodation and facilities costs	7,764	7,169	7,160
Marketing and publicity costs	564	621	920
Other administrative costs ²	1,283	1,552	1,650
Depreciation and notional interest charges	4,261	4,200	4,200
Contingency reserve	-	1,000	1,000
Cost savings & efficiencies identified in-year	-	-250	-250
Gross Revenue Expenditure	44,620	46,041	47,200
<u>Revenue Income</u>			
Sales - the Assembly Shop	-18	-40	-40
Accommodation rental income	-86	-90	-90
Miscellaneous income	-8	-30	-30
Gross Revenue Income	-112	-160	-160
NET REVENUE EXPENDITURE	44,508	45,881	47,040
Capital expenditure - creation of fixed assets	4,337	3,820	700
Capital income - disposal of fixed assets	-	-	-
NET CAPITAL EXPENDITURE	4,337	3,820	700
NET RESOURCE REQUIREMENT	48,845	49,701	47,750

¹ Staff salaries and related costs includes provisions for Holidays and Flexi leave of £0.190 million

² Other Administrative Costs includes items such as police services and other security costs, catering services costs, outsourced translation costs, publication and information costs, postage and stationery costs and other general administrative costs.