

Y Bwrdd Rheoli Management Board

MB (02-09) Paper 7

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Financial Management Report: Period Ended 31 January 2009

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

Purpose and summary of issues

1. The purpose of this report is to highlight, for the Management Board, the significant issues effecting APS's financial performance and, in particular:
 - To provide an estimate of the projected year end position;
 - To summarise the financial performance for the year-to-date period, ending 31 January 2009;
 - To identify the risks and opportunities in managing APS' financial resources for the remainder of the year;
 - To recommend actions to the Management Board on maximising the resources available.

Day to day management of less significant matters will continue to be undertaken by budget holders supported by the Financial Control Team.

2. The key messages are:
 - The current projected outturn underspend is £785,000, representing 1.7% of the annual budget and is within the year end tolerance of 2%;
 - The projected underspend takes account of all known commitments, including further potential calls on unallocated reserves and is, therefore, available to fund any further projects that can be identified;
 - The projected underspend is £605,000 lower than the projection of £1.390m reported for December 2008; the reasons for this decrease are set out in the report.

Recommendations

3. That the Board:
 - a) reviews the projected financial performance for the year;
 - b) notes the risks and takes action to mitigate them as far as is possible;
 - c) takes action to make best use of the resources available by ensuring that the projects comprising the £1.029m estimated call on Unallocated Reserves are reviewed and effectively progressed before 31 March 2009; and

- d) examines potential uses for £785,000 currently identified as being unused at the year end.

Discussion

KEY MESSAGES

Projected Year End Outturn

4. The revised projected outturn is estimated to be £45.396m against a budget of £46.181m, which represents an underspend of £785,000 or 1.7%. This is a reduction of £605,000 compared to the December 2008 figure. The £785,000 is available for other projects/expenditure that can be completed before the end of the financial year.
5. The decrease in the projected underspend from that reported for December 2008 is set out below:

<i>Explanation for decreased projected under spend</i>	<i>Variance (£'000)</i>
• Reduction in the overall projected outturn provided by Services throughout APS	(64)
• Reduction in estimated amount required for Members' Research Management System (see note 6)	(15)
• Increase in amount required for restoring fully functioning Committee Room in Ty Hywel (see note 6)	30
• Increase in amount required for the refurbishment of 3A (see note 6)	50
• New Spend Identified (see note 6)	
○ Replacement chillers for Ty Hywel	100
○ Security staffing restructuring	100
○ Sustainability improvements	35
○ North Wales Office	20
○ Hand dryers Ty Hywel	15
○ Corporate training	14
• Accounting adjustment to reflect impairment in the value of the Pierhead building to take account of current market value	320
Total	605

6. The budget for 2009-10 has been approved and committed expenditure coupled with the need to make cash savings of £250,000 means there will be little scope to fund additional projects without corresponding savings elsewhere.

Period ended January 2009

7. An underspend of £726,000 is reported for the period ended 31 January 2009. The main reason for this lies with large underspends within Members Pay & Allowances, due to Members not claiming their full entitlements and with ICT as a result of the late receipt of an invoice for £177,000 from Merlin.

8. Risks - Red Flag Issues

- ⊗ Projected outturn is currently within the year end tolerance of 2% of budgeted expenditure. However this projection assumes that all additional projects and spend being

recognised during January 2009 will be completed by 31 March 2009. Consequently there is still the risk of a further increase in projected outturn underspend, if projects are delayed and unable to be completed during the current financial year. If this situation occurs it will put added pressure on next year's budget.

⊗ Members' Pension Scheme provision – GAD has recently advised that in their opinion there has not been a significant change to the level of provision previously reported. With continued economic uncertainty it is not possible to forecast the eventual provision that will need to be reported in the 2008-09 accounts.

⊗ None of the in year efficiencies of £982,000 are recurring and consequently will not contribute to next year's efficiency target of £250,000. Information on in-year efficiency savings can be found at note 7.

9. Opportunities - Green Flag Issues

✓ Savings continue to be identified and transferred to the Unallocated Reserves. A further £0.410m was identified in January 2009 (See note 5 of Annex). An update on potential calls on unallocated reserves can be found in note 6 of the annex.

✓ Overall budgetary performance for January 2009 is within the 5% tolerance, further information on individual service performance can be found in note 1 of the annex.

FINANCIALS

1. Budget Performance for the period April – January 2008- 09

Service	Profiled budget (£'000)	Actuals to date (£'000)	Budget remaining for the period (£'000)	Variance %	2008-09 Annual Budget (£'000)	Projected under/ overspend (-) (£'000)	Projected Outturn (£'000)
Corporate Unit	1,395	1,319	76	5	1,671	98	1,573
Legal Services	381	360	21	5	487	10	477
	1,776	1,679	97	5	2,158	108	2,050
OPERATIONS DIRECTORATE							
Human Resources	1,175	1,234	-59	-5	1,401	-40	1,441
Office & Facilities Management	8,166	8,413	-247	-3	9,989	-208	10,197
Financial Services	630	586	44	7	790	49	741
Members Pay & Allowances	10,292	9,835	457	4	13,664	1,216	12,448
ICT	2,900	2,670	230	8	4,449	0	4,449
External Communications	1,528	1,482	46	3	2,460	-20	2,480
	24,691	24,220	471	2	32,753	997	31,756
ASSEMBLY BUSINESS DIRECTORATE							
Members' Research Service	1,378	1,324	54	4	1,710	106	1,604
Chamber & Legislation Services	732	709	23	3	919	42	877
PTRS	1,462	1,408	54	4	1,880	79	1,801
Committee Service	903	878	25	3	1,168	77	1,091
Co-ordination Unit	80	78	2	3	98	5	93
	4,555	4,397	158	3	5,775	309	5,466
Sub Total					40,686	1,414	39,272
Depreciation & Notional Interest					4,775	-320	5,095
Sub Total					45,461	1,094	44,367
Unallocated Reserves					720	-309	1029
Totals	31,022	30,296	726	2	46,181	785	45,396

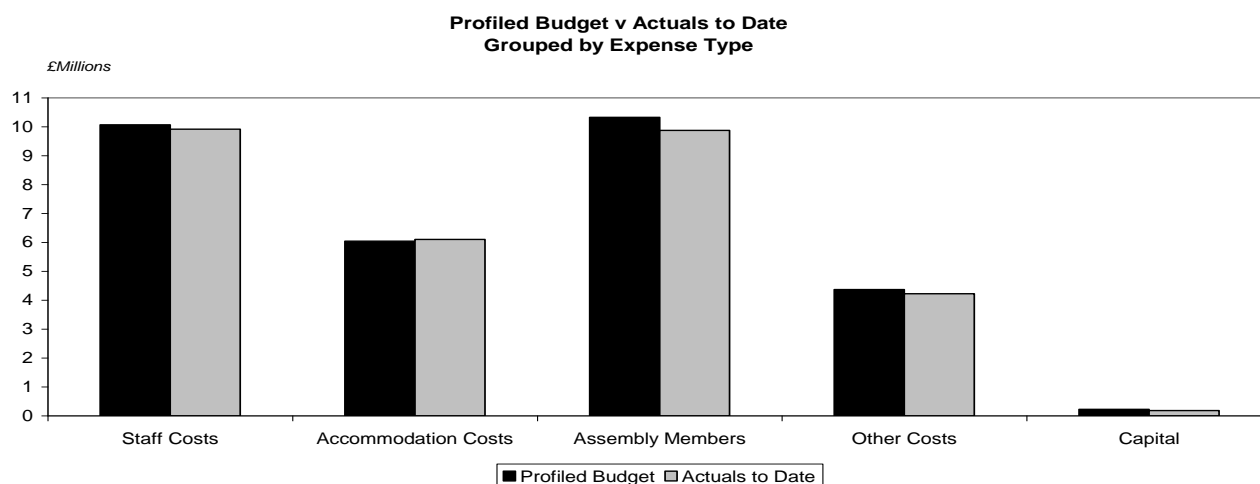
2. Explanation of Significant Variances for Projected Outturn (+/- 1%) or £100,000

Service	Variance (£'000)	Reason for Variance	Action Being Taken to Rectify
Corporate Unit	5.9% under budget 98	Current vacancies within the service are causing this underspend.	Underspend will be vired back to Unallocated Reserves during February.
Office & Facilities Management	2.1% over budget 208	Primarily staff salary costs relating to security staff, including overtime, utility costs and car parking.	Overspend will be met from unallocated resources (savings elsewhere within APS). Security services are being restructured which will reduce overall costs in 2009/10. Car parking arrangements will continue to be reviewed with a view to containing costs.
Members Pay & Allowances	8.9% under budget 1,216	Major causes contingency (513), pension provision (384) and Members' not claiming their full entitlements (210).	Underspend will be vired back to Unallocated Reserves during February.
Members' Research Service	6.2% under budget 106	The major cause is due to underspending on staff costs as a result of delays in filling vacancies (96).	Underspend will be vired back to Unallocated Reserves during February.
Adjustment for impairment of Pierhead Building	6.7% over budget 320	To reflect the significant decline in the buildings market value during the period as required by FRS 11.	Included in year end projections.

3. Explanation of Variances outside 5% or £100,000 Tolerance for period April – January 2008-09

Service	Variance (£'000)	Reason for Variance	Action Being Taken to Rectify
Office & Facilities Management	3% over budget 247	Mainly due to overspends on staff costs (133) and maintenance budgets (105).	Some budgets within the service will be reprofiled to account for this.
Members Pay and Allowances	4% under budget 457	Due to Members not claiming full entitlement and less than anticipated T&S claims from both Members and their staff.	Underspend will be vired back to Unallocated Reserves during February.
ICT	8% under budget 230	Late receipt of Merlin invoice for £177,000. Had the invoice been processed in time ICT would have reported an underspend of £53,000 or 2%.	The invoice has been processed and will appear in February's report.

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



5. Virements

Unallocated Reserves Balance:	Released from Service Budgets (£'000)	Allocated to Service Budgets (£'000)	Unallocated Reserves Balance at End of Month (£'000)
<i>Opening working balance 01/04/08</i>	-	-	1,153
April	161	718	596
May	-	-	596
June	-	3	593
July	36	54	575
August	-	99	476
September	-	120	356
October	215	88	483
November	-	35	448
December	160	298	310
January	410	-	720
Total	982	1,415	720
Projected Service Underspend			1,094
Potential Calls			-1029
Projected Underspend			785

6. Potential Calls on Unallocated Reserves

Service	Estimated potential demands:	Current Situation	(estimate) (£'000s)
Details of potential calls as at 31/12/08			
OFM	Police Unit –additional working costs estimate	Yet to be allocated	105
	Refurbishment of 3A - <i>Transferred from 2009-10</i>	Yet to be allocated	250
Members' Research Service	ICT Information Management system	Yet to be allocated	75
ICT	Restoring old Committee room to fully functioning – Ty Hywel	Yet to be allocated	200
	Contingency for professional fees	Yet to be allocated	50
Members' Pay and Allowances	AM Pension Fund Cost	Yet to be allocated	TBC
Sub Total			680
Additional potential calls identified in January 09			
Office and Facilities Management	Changes to North Wales Office	Yet to be allocated	20
	Replacement Chillers – Ty Hywel	Yet to be allocated	100
	Sustainability Improvements – lagging to pipework	Yet to be allocated	35
	Installation of hand dryers – Ty Hywel	Yet to be allocated	15
	Added Cost of Refurbishment of 3A	Yet to be allocated	50
	Security Restructuring	Yet to be allocated	100
ICT	Added Cost of restoring old Committee room	Yet to be allocated	30
Members' Research Service	ICT Information Management System – reduction in estimated costs	Yet to be allocated	(15)
HR	Corporate Training	Yet to be allocated	14
Sub Total			349
Total Requested from Unallocated reserves at 31/01/09			1,029

7. In – Year Efficiency Savings

Service	Details	Recurring Efficiencies (£'000)	Non -Recurring Efficiencies (£'000)
Financial Services	Removal of an EO post	-	27
	Money surrendered due to underspending on staff costs (no posts surrendered)	-	36
Human Resources	Staff Restructuring	-	134
Chamber and Legislation Services	Money surrendered due to underspending on staff costs (no posts surrendered)	-	70
Members' Research Service	Money surrendered due to underspending on staff costs (no posts surrendered)	-	90
Committee Service	Money surrendered due to underspending on staff costs (no posts surrendered)	-	30
Committee Service	Money surrendered due to significant underspending on Witness/Expert Advisor Budget		50
PTRS	Money surrendered due to underspending on staff costs (no posts surrendered)	-	55
Legal Service	Money surrendered due to underspending on staff costs (no posts surrendered)		55
Legal Service	Money surrendered due to significant underspending on drafting services budget	-	25
Legal Service	Further Money surrendered after meetings with the Budget Manager due to significant underspending on drafting services budget	-	10
External Communications	Money surrendered due to underspending on staff costs (no posts surrendered)	-	400
Total		-	982