



## Y Bwrdd Rheoli Management Board

### MB (03-09) Paper 5 (Part 1)

**Date:** 26 March 2009

**Time:** 9.30-11.30

**Venue:** Conference Room 4B

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### Financial Management Report: Period Ended 28 February 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 the Assembly'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 28 February 2009; and
- To identify the risks and opportunities in managing the Assembly's financial resources for the remainder of the year.

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 £1,030m representing 2.2% of the annual budget and is just outside 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 as yet unidentified costs that may arise, for example, additional liabilities relating to the AM's Pension Fund (see paragraph 8);
- Projected expenditure includes £566,000 shown under potential calls for use of the Unallocated Reserves. Of this amount £380,000 relates to work that has commenced but final approved business cases have not yet been received to enable formal allocation to service budgets. This highlights the need to improve the business planning process and work is in hand to address the issue. A further £100,000 relates to the restructuring of the Security Team and the necessary approvals are being sought to finalise the arrangements so that the payments can be made in March 2009.



- Underspend particularly on staffing continue to be identified. Given the more difficult financial position that the Assembly is facing next year we will be more rigorous in identifying changes in spending patterns and re-profiling budgets. Proposal for achieving this objective will be issued shortly with the updated budget allocations for 2009-2010.
- The projected underspend is £245,000 higher than the projection of £785,000 reported for January 2009; the reasons for this increase 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; and
- c) takes action to make best use of the resources available by ensuring that the projects comprising the £566,000 estimated call on Unallocated Reserves continue to be closely managed between now and the 31 March 2009.

## Discussion

### KEY MESSAGES

#### *Projected Year End Outturn*

4. The revised projected outturn is estimated to be £45.151m against a budget of £46.181m, which represents an underspend of £1.030m or 2.2%. This is an increase of £245,000 compared to the January 2009 figure.
5. The increase in the projected underspend from that reported for January 2009 is set out below:

<i>Explanation for increased projected under spend</i>	<i>Variance (£'000)</i>
• Decrease in the overall projected outturn provided by Services throughout the Assembly	(208)
• Reduction in estimated amount required for Members' Research Management System (see note 6)	(60)
• Reduction in amount required for restoring fully functioning Committee Room 4 in Ty Hywel (see note 6)	(29)
• Police Unit (no longer required)	(105)
• <b>Sub Total</b>	<b>(402)</b>
• Added Cost of Hand Dryers	10
• Added Cost of replacement Chillers	11
• Additional Funds BF Proxy: enhancement to IT servers to improve access and security around Members' connection to the internet	120
• Additional funds corporate training	16
<b>Total</b>	<b>(245)</b>



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 February 2009***

7. An underspend of £1,199m is reported for the period ended 28 February 2009. The main reason for this lies with large underspends within Members Pay & Allowances, due to Members not claiming their full entitlements (£0.500m) and with EFM (£0.450m) as a result expected invoices for various works and projects not being received on time, as well as staffing cost underspends in both PTRS and Corporate Unit (£0.100m each). Next year, we shall be adopting a more rigorous approach regarding the identification of over and underspends and actioning the consequent re-profiling of Service Budgets.

#### **8. Risks - Red Flag Issues**

⊗ Projected outturn is currently just above the year end tolerance of 2% of budgeted expenditure. However 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 – there has been no change in the estimated provision although the recent introduction of quantitative easing by the Bank of England has already had an impact by reducing gilt yields. This could impact on corporate bond yields with any reduction in yields likely to reduce the discount rate and increase the Pension Scheme's liability.

⊗ None of the in-year efficiencies of £1,207m 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 £0.225m was identified in February 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 February 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 – February 2008- 09**

<b>Service</b>	<b>Profiled budget (£'000)</b>	<b>Actuals to date (£'000)</b>	<b>Budget remaining for the period (£'000)</b>	<b>Variance %</b>	<b>2008-09 Annual Budget (£'000)</b>	<b>Projected under/ overspend (-) (£'000)</b>	<b>Projected Outturn (£'000)</b>
Corporate Unit	1,550	1,453	97	6	1,671	98	1,573
Legal Services	426	415	11	3	487	3	484
	<b>1,976</b>	<b>1,868</b>	<b>108</b>	<b>6</b>	<b>2,158</b>	<b>101</b>	<b>2,057</b>
<b>OPERATIONS DIRECTORATE</b>							
Human Resources	1,287	1,355	-68	-5	1,431	-10	1,441
Estate & Facilities Management	9,567	9,122	445	5	10,510	-205	10,715
Financial Services	705	645	60	8	790	72	718
Members Pay & Allowances	11,314	10,814	500	4	13,664	1,345	12,319
ICT	3,514	3,496	18	1	4,684	-1	4,685
External Communications	1,681	1,664	17	1	2,100	-20	2,120
	<b>28,068</b>	<b>27,096</b>	<b>972</b>	<b>3</b>	<b>33,179</b>	<b>1,181</b>	<b>31,998</b>
<b>ASSEMBLY BUSINESS DIRECTORATE</b>							
Members' Research Service	1,455	1,447	8	1	1,604	12	1,592
Chamber & Legislation Services	797	794	3	0	877	-	877
PTRS	1,648	1,555	93	6	1,880	85	1,795
Committee Service	991	981	10	1	1,091	16	1,075
Co-ordination Unit	89	84	5	5	98	2	96
	<b>4,980</b>	<b>4,861</b>	<b>119</b>	<b>2</b>	<b>5,550</b>	<b>115</b>	<b>5,435</b>
Sub Total	<b>35,024</b>	<b>33,825</b>	<b>1,199</b>	<b>3</b>	<b>40,887</b>	<b>1,397</b>	<b>39,490</b>
Depreciation & Notional Interest	-	-	-	-	4,775	-320	5,095
Sub Total	-	-	-	-	<b>45,662</b>	<b>1,077</b>	<b>44,585</b>
Unallocated Reserves	-	-	-	-	519	-47	566
<b>Totals</b>	<b>35,024</b>	<b>33,825</b>	<b>1,199</b>	<b>3</b>	<b>46,181</b>	<b>1,030</b>	<b>45,151</b>

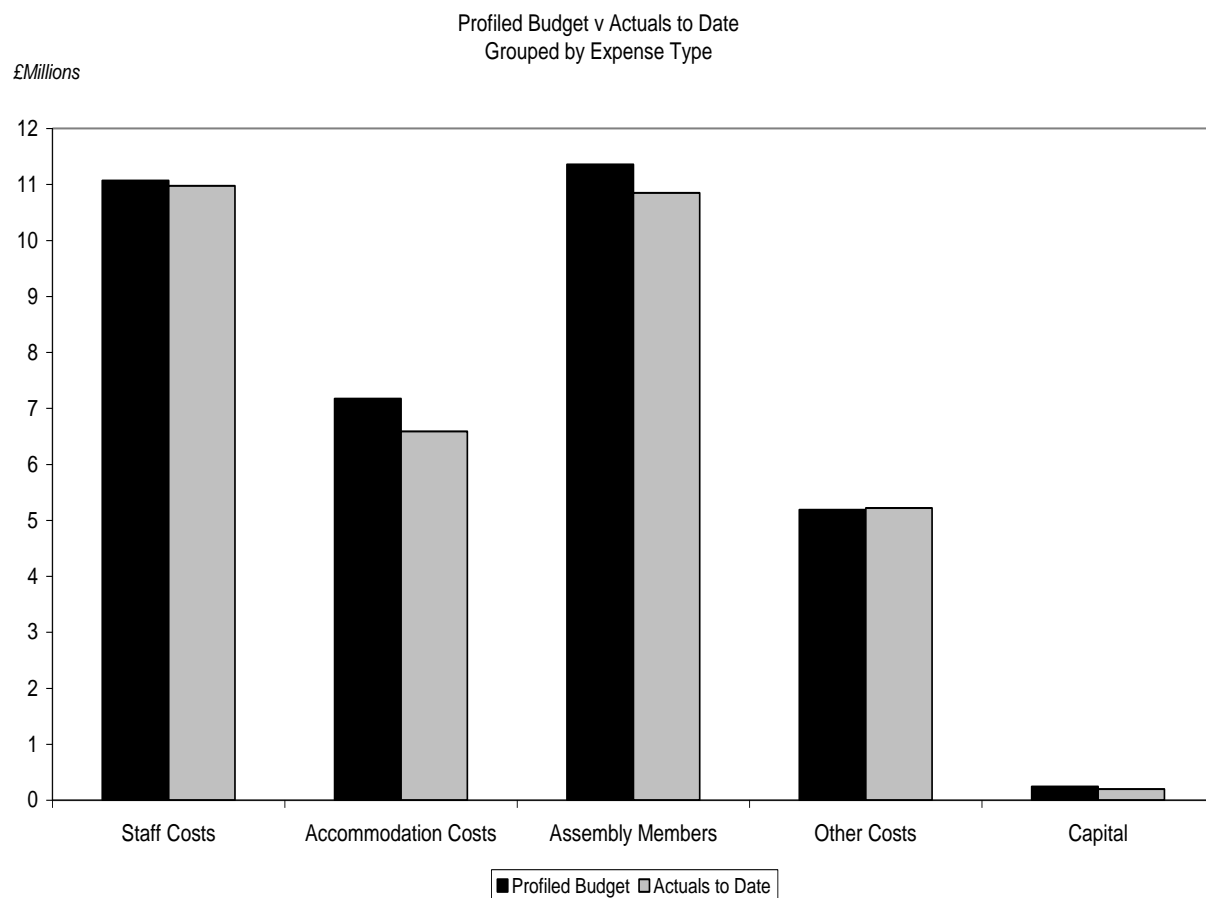
## 2. Explanation of Significant Variances for Projected Outturn (+/- 2%) or £100,000

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.	Meeting with Budget Manager on 17 <sup>th</sup> March to discuss implications for both this and next year's budgets.
Estate & Facilities Management	1.9% over budget 205	Primarily staff salary costs relating to security staff, including overtime(200)	Overspend will be met from unallocated resources (savings elsewhere within the Assembly). Security services are being restructured, which will reduce overall costs in 2009/10.
Members Pay & Allowances	10% under budget 1,345	Major causes contingency (513), pension provision (384) and Members' not claiming their full entitlements (448).	A review is being undertaken to assess the implications of this underspend on next year's budget allocations.
Financial Services	9% under budget 72	Primarily underspend on staff costs due to vacancies arising in past 3 months (65)	Underspend to be vired back to Unallocated Reserves.
Adjustment for impairment of Pierhead Building	6.7% over budget 320	To reflect the significant decline in the building's 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 to February 2009

Service	Variance (£'000)	Reason for Variance	Action Being Taken to Rectify
Estate & Facilities Management	5% under budget 445	Due to expected invoices (443) not being received during February. Had the invoices been received on time overall variance for this budget would have been 0%	These invoices will be paid by the end of the financial year and will bring the profile back into line.
Members Pay and Allowances	4% under budget 500	Due to Members not claiming full entitlement and less than anticipated T&S claims from both Members and their staff.	A review is being undertaken to assess the implications of this underspend on next year's budget allocations.
Corporate Unit	6% under budget 97	Mainly as a result of staff vacancies	Meeting with Budget Manager on 17 <sup>th</sup> March to discuss implications for both this and next year's budgets.
PTRS	6% under budget 93	Due to staff vacancies (80)	Implications for both this and next year's budgets being considered.
Financial Services	8% under budget 59	Mainly as a result of staff vacancies	Underspend will be vired back to Unallocated Reserves.

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



## 5. Virements

<b>Unallocated Reserves Balance:</b>	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
February	225	426	519
<b>Total</b>	<b>1,207</b>	<b>1,841</b>	<b>519</b>
Projected Service Underspend			1,077
Potential Calls			-566
<b>Projected Underspend</b>			<b>1,030</b>

## 6. Potential Calls on Unallocated Reserves

Service	Potential Demands	Estimated value (£'000) of potential demands at 31 January 2009	Situation as at 28 February 2009	Estimated value (£'000) of additional bids in February 2009	Released to Unallocated Reserve in February 2009 (£'000)	Allocated from Unallocated Reserve to Service Budget in February 2009 (£'000)	Estimated Potential call at 28 February 2009
<b>OFM</b>	Police Unit –additional working costs estimate	105	No longer required		105		
	Refurbishment of 3A – <b>Transferred from 2009-10</b>	300	Yet to be allocated. Awaiting finalised business case.				300
	Changes to North Wales Office	20	Yet to be allocated. Awaiting finalised business case.				20
	Replacement Chillers Ty Hywel	100	Allocated together with Increased estimate of cost	11		111	
	Sustainability Improvements – lagging to pipework	35	Yet to be allocated. Awaiting finalised business case.				35
	Installation of hand dryers – Ty Hywel	15	Yet to be allocated. Awaiting finalised business case.	10			25
	Security Restructuring	100	Agreement reached with staff and necessary approvals obtained in March				100
<b>Members Research Services ICT</b>	ICT Information Management System	60	No longer required		60		
	Creation of Committee Room 4	230	Allocated with savings on equipment released back to Unallocated reserves		29	165	36
	BF Proxy project to improve security and access for Members to internet		<b>New Bid in February</b>	120		120	
	Contingency for professional fees	50	Yet to be allocated				50
<b>Members Pay &amp; Allowances HR</b>	AM Pension Fund Cost	TBC					
	Corporate Training	14	Allocated	16		30	
<b>TOTAL</b>		<b>1,029</b>		<b>157</b>	<b>89</b>	<b>426</b>	<b>566</b>



## 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
	Further Money surrendered as agreed with Budget Manager due to significant underspend on staff costs	-	42
Members' Research Service	Money surrendered due to underspending on staff costs (no posts surrendered)	-	90
	Further Money surrendered as agreed with Budget Manager due to significant underspend on staff costs	-	106
Committee Service	Money surrendered due to underspending on staff costs (no posts surrendered)	-	30
	Money surrendered due to significant underspending on Witness/Expert Advisor Budget	-	50
	Further Money surrendered as agreed with Budget Manager due to significant underspend on staff costs and staff and Members' T&s	-	77
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
	Money surrendered due to significant underspending on drafting services budget	-	25
	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
<b>Total</b>		<b>-</b>	<b>1,207</b>