

Y Bwrdd Rheoli Management Board

MB (08-09) Paper 4 (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 August 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 August was £16.9million which represents an underspend of 4.3% (£0.8million) against a profiled budget target of £17.7 million for the period. 0.9% (£0.170million) is the result of committed expenditure not being charged in the period as planned, see paragraph 5 for action taken to address this issue. If this is taken into account, the current underspend is 3.4% (£0.6million), of which 1.6% (£0.275 million) has since been returned to contingency. 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 3%, while last month the underspend was 5.3%.
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)

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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 the Commission's budget to £49.701million; the increase is in respect of the UNO project. The Welsh Government has confirmed that a date has yet to be set for the supplementary budget motion to be debated.
4. Key risk areas within the budget are:
 - ⊗ UNO project – this was brought to the Boards attention last month and whilst uncertainty of timings remain the project is being closely monitored to ensure risks are minimised.
 - ⊗ The Pierhead project – work has now commenced on phase 2 of the project and is currently operating to budget. The position will continue to be monitored to ensure financial risks are kept under control.
 - ⊗ The level of flexibility within the Commission's overall budget and in-built Contingency. Current potential calls on the Contingency (£1.6m) exceed the funds available (£1.3m) 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 at year end of circa £0.229million, compared to £0.1 million in July, based on the informed assumptions for further savings and underspends likely to be identified, and additional financial pressures we expect to face.
5. ✓ The revised forecasting method has now been rolled out to services, via a Finance briefing session, with initial returns required by Friday, 25 September. This will allow a more precise projection of forecast outturn. In turn this will inform decision making going forward. Forecast outturn will be included in all subsequent financial reports and a full half year review will be held with services during October.
6. ✓ There are still difficulties being experienced with committed spend and profiling. The Payments team have held a process mapping workshop to identify any problems with purchase orders and will work with services to resolve any issues arising. This should help address profiling issues.
7. ✓ Since April, £1.0m has been returned from service budgets into the Contingency budget and further savings and underspends have been identified. Note 6 gives the detail on this – the most significant elements being £0.3million reallocated to the Pierhead project and £0.3million contingency for Members' pay and allowances which, in view of the Independent Review Panel's recommendation is not required. £0.7 million has been reallocated under the virements policy. We will review service-based Efficiency Plans during October

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and we recognise the need to provide further advice and support to drive forward the efficiency agenda.

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ACTIONS RECOMMENDED TO THE BOARD

8. 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 whether any actions that should be taken.**

ANNEX TO THE FINANCIAL MANAGEMENT REPORT
detailed analysis of the financial position
1. Budget Performance for the period April – August 2009-10

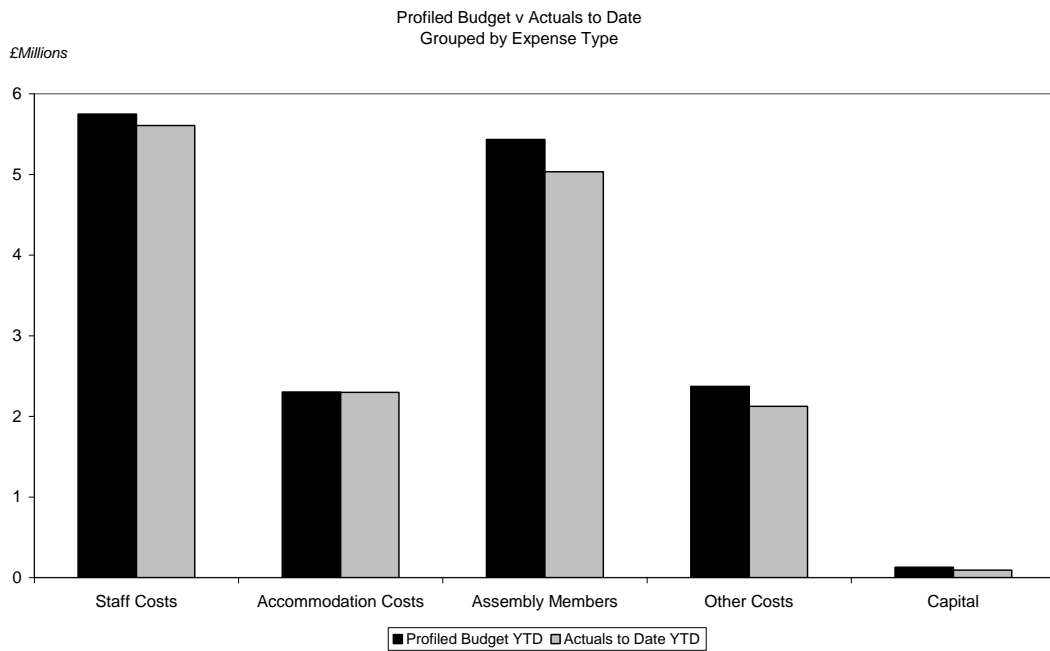
Service	Profiled budget (£'000)	Actuals to date (£'000)	Budget remaining for the period (£'000)	Variance %	2009-10 Annual Budget (£'000)
Corporate Unit	708	658	50	7	1,786
Legal Services	251	214	37	15	647
	959	872	87	9	2,433
OPERATIONS DIRECTORATE					
Human Resources	612	614	-2	0	1,526
Estate & Facilities Management	2,724	2,722	2	0	7,660
Financial Services	307	309	-2	-1	723
Members Pay & Allowances	5,460	5,080	380	7	13,045
ICT	1,562	1,517	45	3	4,818
External Communications	1,041	878	163	16	2,724
Security	818	819	-1	0	2,281
	12,524	11,939	585	5	32,777
ASSEMBLY BUSINESS DIRECTORATE					
Members' Research Service	772	765	7	1	1,922
Chamber & Legislation Services	438	418	20	5	1,161
Translation & Reporting Service	740	697	43	7	1,993
Committee Service	509	423	86	17	1,345
Co-ordination Unit	39	37	2	5	95
	2,498	2,340	158	7	6,516
Total – Cash Items					41,726
Depreciation & Notional Interest	1,750	1,815	-65	-4	4,200
Members Pension Fund Provision					500
Contingency					1,325
Totals	17,731	16,966	765	4	47,751

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

Service/Variance %/£'000	Reason for Variance	Action Being Taken to Rectify
Corporate Unit 7% under budget 50	Due to accrued External Audit costs accrued in 2008-09 (40)	Invoices for work carried out last year are still awaited. As costs for the current financial year will not be incurred until year end, this budget line will be re-profiled to reflect this.
Legal Services 15% under budget 37	Due to underspends on staff costs caused by vacancies (37).	The vacant posts 1x G7 and 1x SEO have now been filled. The Head of Service has identified an underspend against this budget line which will be returned to contingency.
Members Pay and Allowances 7% under budget 380	Due to Members not claiming full salary and other allowance entitlements (284), as well as lower than expected travel claims (52)	£0.226 million has been identified to be returned to contingency, with re-profiling to bring budgets back into line. Sum to be returned already included in projected outturn.
ICT 3% under budget 45	Caused by an underspend against the IT projects line due to year-end adjustments from 2008-09 (73). Overspends have occurred against broadcasting (11) & licence and maintenance costs (7)	The Finance Co-ordinator is liaising with the Welsh Government in respect of invoices awaited for us under the Siemens' contract.
External Communications 16% Under Budget 163	Due to delays in receiving invoices (95), a delay in phase 2 of the Pierhead project (44), staffing vacancies (10)	This service is currently trialling a new forecasting system and will reprofile the budget lines accordingly.
Chamber and Legislation Office 4% under budget 20	Mainly due to underspends on staff costs (18)	This service is restructuring and will soon be recruiting additional staff which will use up underspends over the financial year.
Translation and Reporting 6% under budget 43	Due to underspends on staff costs (13), Staff T&S (9) and external translation (14)	This was mainly due to less translation work as a result of recess. Costs should fall in line as term commences
Committee Service 17% under budget 86	Underspends on staff costs (39) from vacancies, AM and staff travel, as anticipated visits have not yet happened, (24) and Expenses – advisors/witnesses (12).	A service restructure is currently underway which will involve use of the underspend. 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.

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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 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	-	-	-
August	-	-166	1,299
Current Balance	1,003	-687	1,299

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5. Summary of potential demands as at 31 August 2009

Service	Potential Demands	Estimated value (£'000) of potential demands at 31 July 2009	Update as at 31 August 2009	Change in Estimated values (£'000)	New Demands in August 2009 (£'000)	Allocated from Contingency to Service Budget in August 2009 (£'000)	Estimated Potential call at 31 August 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 (call reduced as £250k required in 2010-11)	-217			500
	Changes to FTR Gold	10	Yet to be allocated				10
	Installation of technical equipment	34	Yet to be allocated	6		40	
Corporate Unit	New Posts – change programme	114	New Bid in June – yet to be allocated				114
	Extension of Members Review panel - extra funds required	53	Yet to be allocated. Awaiting business case				53
	WAO report on UNO project	5	Yet to be allocated. Awaiting business case				5
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				-100	
Finance	Part time HEO post	36		-10		26	
	TOTAL	1,947		-221		-166	1,560

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

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
	Returned from AMSS T&S budget, as not expected to be spent, based on historical spend		87
Members' HR	Returned from AM database project		8
	Members' Contingency no longer required		330
External Communications	Release of funds from Marketing & Publicity to fund Pierhead		300
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		-	1,003

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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>		673
<i>Less additional funds already allocated to service budgets</i>		(687)
Current Balance (Note 4)		1,299
<i>Add Vacancy factor – an estimate of savings arising from vacant posts during recruitment</i>		150
<i>Add Expected underspend on members' allowances</i>		500
		1,949
Additional Financial Pressures: (Note 5)		
• Additional Staffing costs (various)	(167)	
• Pierhead (net of £0.300m savings in External Comms budget)	(750)	
• 3A further costs	(87)	
• Unified Network	(500)	
• Other smaller amounts	(56)	(1,560)
Sub total		389
• Increase in depreciation & notional interest charges		(160)
Projected (overspend)/underspend balance		229

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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	93	96
Legal Services	85	74
	91	91
OPERATIONS DIRECTORATE		
Human Resources	100	101
Estate & Facilities Management	100	99
Financial Services	101	102
Members Pay & Allowances	93	96
ICT	97	100
External Communications	84	99
Security ¹	100	-
	95	98
ASSEMBLY BUSINESS DIRECTORATE		
Members' Research Service	99	89
Chamber & Legislation Services	96	87
Translation & Reporting Service	94	97
Committee Service	83	95
Co-ordination Unit	95	94
	94	93
Total – Cash Items	95	97
Depreciation & Notional Interest	104	-
Members Pension Fund Provision	-	-
Contingency	-	-
Members Contingency	-	-
Totals	96	97

¹ Security was part of Estates and Facilities Management in 2008-09 and has had its own budget since the start of 2009-10