

Y Bwrdd Rheoli Management Board

**MB (09-09) Paper 3 (Part 1)
Financial Management Report**

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Date: 12 November 2009
Time: 09:30-11:30
Venue: Conference Room 4B
Author name and contact number: Nicola Callow, ext. 8054

Financial Management Report: Year to Date Period Ended 30 September 2009

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

OVERVIEW OF FINANCIAL PERFORMANCE FOR THE PERIOD

1. Last month, we reported that a new forecasting methodology had been introduced. This method builds on the financial management skills already within the Assembly and focuses our attention on managing our budget over the whole year. This paper is based on the new methodology which took effect on 1 September. Further work is being done on the best way to present financial management information to the Management Board in future.
2. The net spend to the end of September was £21.029million with £0.276million returned to the contingency. Due to the change in the forecasting methodology there is no variance to report. The new 'year to date' forecast was based on actuals for the first five months of the year.
3. Supporting detailed analysis is provided in the Annex:
 - Note 1 presents 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 showing approved virements;
 - Note 5 lists the potential further calls on the Contingency;
 - Note 6 lists funds released from service areas, including in-year efficiencies, savings and underspends;
 - Note 7 provides details of the forecast year-end outturn.

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

4. The supplementary budget motion to increase the Commission's budget to £49.701million was approved on 20 October 2009. The increase is in respect of the UNO project. In addition, the

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Commission's budget for 2010-11 of £48.973 million was approved on 21 October 2009.

5. Key risk areas within the budget, rated using Green for on target, Amber for potential risk and Red as off target, are:

A UNO project – the project should now progress rapidly after approval of the supplementary budget. The current estimated cost for the project has increased by a further £0.2million to £2.9million (Project Board decision 13 October 2009). This increase is to accommodate enhanced resilience and business continuity. In addition, work continues to manage the financial risks principally surrounding the current estimate that £0.25 million will not be spent this financial year and will need to be funded from 2010-11.

A The Pierhead project – phase 2 of the project is well underway and is operating to budget. Work continues to ensure financial risks are identified and kept under control.

A The level of flexibility within the Commission's overall budget and in-built Contingency. Note 7 sets out the forecast underspend of £0.48million for 2009-10 which is based on the forecasting method introduced in September. The accuracy of the forecasts will be tested in discussions with Service heads and finance co-ordinators during October.

6. ✓ The revised forecasting method has provided a more detailed and potentially more accurate picture. This has allowed a commitment of £0.25million to be made to fund the Members Casework system project.
7. ✓ The Payments team held a process mapping workshop (21 October 2009) to identify any problems with purchase orders and will work with services to resolve any issues arising.
8. ✓ Since April, £1.3m has been allocated from service budgets to the Contingency (Note 6 provides the detail). £0.687million has been transferred from the Contingency to service budgets, leaving a balance of £1.575million. Taking into consideration the forecast from service budgets holders and the additional financial pressures identified in Note 7, we expect the year end outturn to be £0.480million underspent.
9. Following on from the recent Budget holder discussions, there is a strong likelihood that the underspend will continue to grow (current estimate is a further £150,000). With another five months of the financial year to go, the Management Board needs to consider plans for a target underspend. A verbal update on the October position will be made at the meeting.

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ACTIONS RECOMMENDED TO THE BOARD

10. 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 may not have been picked up in the forecast outturn projections. Examples include estimated cost increases, 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 additional actions should be taken; and**
- d. Consider plans for the projected underspend.**

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

Service	Forecast to date (£'000)	Actuals to date (£'000)	Variance for the period (£'000)	Variance %	2009-10 Annual Budget (£'000)	2009-10 Forecast Outturn (£'000)
Corporate Unit	810	810	0	0	1,786	1,769
Legal Services	269	274	-5	-2	647	577
	1,079	1,084	-5	0	2,433	2,346
OPERATIONS DIRECTORATE						
Human Resources	713	707	6	1	1,526	1,497
Estate & Facilities Management	3,699	3,592	107	3	7,660	7,675
Financial Services	365	362	3	1	749	790
ICT	1,891	1,931	-40	-2	4,818	4,932
External Communications	1,119	1,108	11	1	2,724	3,335
Security	1,087	1,063	24	2	2,280	2,231
Procurement and Sustainability	0	69	-69	0	0	0
	8,874	8,832	42	0	19,757	20,460
ASSEMBLY BUSINESS DIRECTORATE						
Members' Research Service	909	911	-2	0	1,922	1,828
Chamber & Legislation Services	503	501	2	0	1,161	1,104
Translation & Reporting Service	846	848	-2	0	1,993	1,751
Committee Service	502	500	2	0	1,295	1,119
Co-ordination Unit	44	44	0	0	95	88
	2,804	2,804	0	0	6,466	5,890
Commission Services Total	12,757	12,720	37	0	28,657	28,696
Members Pay and Allowances	6,107	6,131	-24	0	12,819	12,546
Total – Cash Items	18,864	18,851	13	0	41,476	41,242
Depreciation & Notional Interest	2,100	2,178	-78	-4	4,200	4,356
Members Pension Fund Provision					500	500
Contingency					1,575	-
Totals	20,964	21,029	-65	0	47,751	46,098

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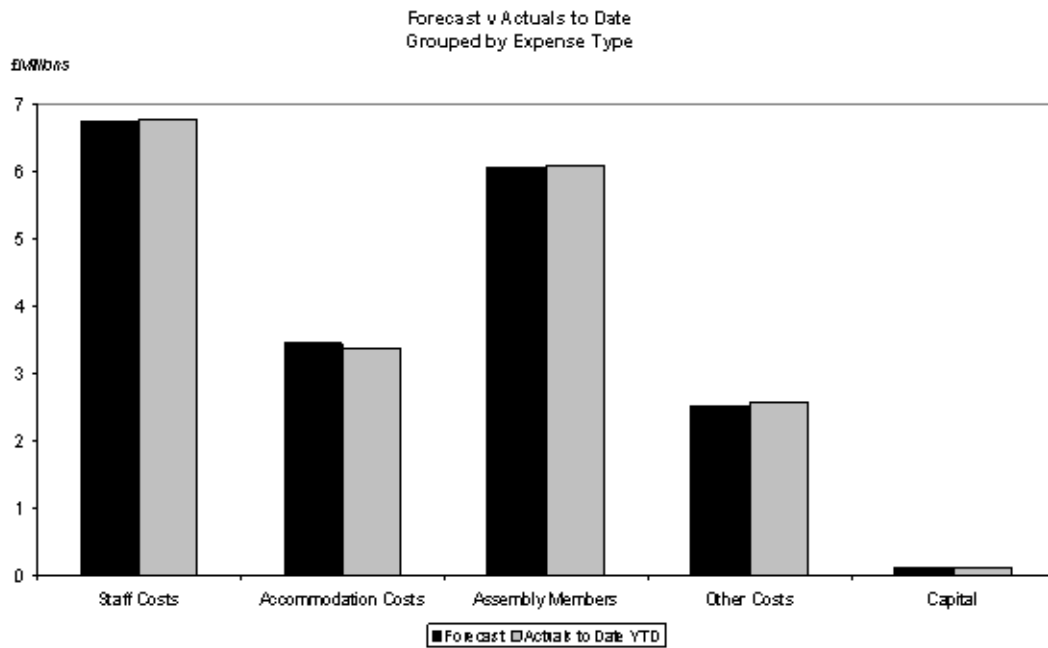
2. Explanation of Variances outside 2% Tolerance for period to September 2009

**Service/Variance
% / £'000
Estates &
Facilities
Management
3% under budget
107**

Reason for Variance
This is mainly due to the staff costs budget to date line including £69k for the Sustainability and procurement team. Had this amount been vired to the new cost centre set up for procurement, variance for this service would be 1%

Action Being Taken to Rectify
Budget salaries need to be vired to the new procurement and sustainability cost centre

3. Forecast Vs Actuals to Date – Grouped by Expense Type



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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	793	-461	1,315
May	210	-	1,525
June	-	-60	1,465
July	-	-	1,465
August	-	-166	1,299
September	276	-	1,575
Current Balance	1,279	-687	1,575
Actual Savings to date			592

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5. Summary of potential demands as at 30 September 2009

Service	Potential Demands	Estimated value (£'000) of potential demands at 31 August 2009	Update as at 30 September 2009	Change in Estimated values (£'000)	New Demands in September 2009 (£'000)	Allocated from Contingency to Service Budget in September 2009 (£'000)	Estimated Potential call at 30 September 2009
External Communications	Phase 2 (&3?) of Pierhead Project ¹	750	Total budget of £1.1 million including £0.3 million from External Comms' budget	-750 ¹			-
ICT	Unified Network	500	Supplementary budget approval 20 October 2009. Increased estimate due to business continuity issues.	200			700
	Changes to FTR Gold	10	Yet to be allocated. Awaiting confirmation that existing budget can accommodate expenditure				10
	Members Casework Management Project	-	Yet to be allocated. Awaiting formal project structure		250		250
Corporate Unit	New Posts – change programme	114	Yet to be allocated Awaiting formal project structure				114
	Extension of Members Review panel - extra funds required	53	Outstanding at month end, budget vired on 7 October 2009				53
	WAO report on UNO project	5	Outstanding at month end, budget vired on 7 October 2009				5
EFM	Further costs for refurb 3A ¹	87	No longer required, existing budget can accommodate expenditure	-87 ¹			-
	ROP Screens/Booths	25	Meeting 28 October 2009 to confirm action, expect existing budget to accommodate expenditure.				25
	Green Team	16	Meeting 28 October 2009 to confirm action expect existing budget to accommodate expenditure. (removed from Corporate Unit Budget).				16
TOTAL		1,560		-637	250	-	1,173

¹ Removed from potential calls as spending is already included in Service forecast outturn

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

Service	Details	Recurring (£'000)	Non -Recurring (£'000)
Committee Service	Returned from Advisors – expenses/witnesses account, as not expected to be spent based on historical spend		28
	Returned from staff costs line (no posts removed)		50
EFM	Returned from Agency staff budget line as not expected to be spent, based on historical spend		40
	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 based on historic spend and current spending expectations		226
	Returned from AMSS T&S budget, as not expected to be spent, based on historical spend		87
	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		-	1,279

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7. Projected Final Outturn Over/Underspend

	<i>£'000</i>	<i>£'000</i>
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		1,279
<i>Less</i> additional funds already allocated to service budgets		(687)
Current Balance (Note 4)		1,575
<i>Add</i> Expected underspend on members' allowances		273
		1,848
• Increase in depreciation & notional interest charges	(156)	
• Projected Services Overspend	(39)	(195)
Current Forecast Underspend (before additional pressures)		1,653
Additional Financial Pressures: (Note 5)		
• Unified Network	(700)	
• Additional Staffing costs (various)	(167)	
• Members Casework Management Project	(250)	
• Other smaller amounts	(56)	(1,173)
Projected (overspend)/underspend balance		480