

Y Bwrdd Rheoli Management Board

MB (01-10) Paper 6 (Part 1)
Financial Management Report

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Date: 18 January 2010
Time: 14:00-16:00
Venue: Conference Room 4B
Author name and contact number: Nicola Callow, ext. 8054

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

This paper has been prepared for consideration by the Management Board and has been deemed suitable for publication on the Internet after 1/3/10

OVERVIEW OF FINANCIAL PERFORMANCE FOR THE PERIOD

1. The net spend to the end of November was £28.185million with £0.060 million returned to the contingency. There is a variance of 0.5% against a forecast of £28.352 million for November.
2. The latest forecast from budget managers, adjusted for the additional financial pressures identified in Note 7 means we are now expecting the year end outturn to be £1.179million under spent. This reflects a 2.4% under-spend against the 2009-10 £49.701million budget. This is outside the tolerance levels we have set ourselves and needs to be satisfactorily resolved.
3. Supporting detailed analysis is provided in the Annex.

KEY MESSAGE TO THE BOARD (Red risk)

4. The Management Board needs to finalise its plans for the projected under spend. The options available are:
 - A. bringing forward expenditure from 2010-11 into 2009-10;
or
 - B. surrendering the under spend to the Welsh Government;
or
 - C. reporting an under spend against the Commission's budget.

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5. We can of course do a mixture of the above. The ideal position would be an under spend of £250,000, 0.5% of the budget. The maximum under spend we can tolerate is 2% of the 2009-10 Budget (£994,000), and anything under £500,000 would be a good position to achieve.
6. Option A above provides an effective solution for 2009-10 as well as creating flexibility in the 2010-11 budget to manage the UNO funding requirements. The items that have been identified so far are listed below. Further options might include undertaking work on our carbon reduction programme; making a final push to complete our business continuity arrangements; and doing some preparatory work in developing our “trusted information provider” role in advance of a referendum:
- a. £274,000 IT Licence costs arising from the UNO project
 - b. £ 80,000 Additional funding requirement for the Members Casework Project (subject to Change Board Approval)
 - c. £200,000 Fourth floor refurbishment, furniture for A Block
 - d. £ 12,000 Assembly Bilingual Service Review
7. Option B has a time limit on it as the Welsh Government can only utilise these funds if we confirm our decision to them in the next two weeks as it plans to lay a Supplementary Budget soon after. We can use this opportunity to formally surrender a set amount of under spend to the Government. We will also be using this Supplementary Budget process to ensure that our 2009-10 Budget correctly reflects our revised Resource and Capital spending plans (which have separate allocations within the Approved Budget).

RISK ASSESSMENT ON THE APPROVED BUDGET FOR THE YEAR (£49.701million)

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

R The level of flexibility within the Commission's overall budget and in-built Contingency; Note 7 sets out the forecast under spend of £1.179million for 2009-10.

A UNO project – UNO remains at amber rating reflecting the slow spend to date and the significant delay in completing Phase 1, as a result of difficulties in settling the contractual arrangements with Siemens. Some activity has now started; the licence order has been placed for a January delivery. The project expenditure forecast reflects the anticipated agreement of contractual arrangements (the PSM) before Christmas. Significant expenditure is profiled in January and February which is still achievable provided the PSM is signed early January. All known issues with the PSM have been satisfactorily resolved and the signed PSM is expected by 11 January 2010.

Close liaison between the project and finance teams has highlighted the possibility that several projects within the Assembly Business Directorate may be affected by delays in the UNO project. Delays in agreeing contractual terms mean that £0.800million will be required to complete the project in 2010-11 which will bring additional pressure on the 2010-11 budget, so that it is possible that a Supplementary Budget will be needed in 2010-11, depending upon the success we have in bringing forward expenditure. Whilst slippage of this sort is unlikely to be a significant issue with the Welsh Government, particularly if it is matched with a similar level of returned under spend in 2009-10, it does expose the Commission to reputational risk, which would be mitigated by making best use of the resources available to us this year and surrendering those we do not need for the rest of the public sector in Wales.

A Increased capital expenditure activity will result in the need to include the capital and resource budgets adjustments in the supplementary budget planned by the Welsh Government for February 2010.

A The Members' Pension Scheme Actuary has been asked to provide an estimate of the pension provision as at 31 March

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2010. Based on past experience we anticipate being able to release part of the provision further increasing the under spend. The extent of the funds that may be released will be known by the middle of January.

G

The Pierhead project - The status has changed from an Amber rating last month to Green. Phase 2 of the project is almost complete, with the building anticipated to be available for testing during late January. Any potential financial risks are now greatly reduced with the project expected to come in on time and on budget.

Other matters to note

9. In recognising the need to manage project costs separately from Service Budgets, Note 1 now shows the current position for UNO and the Pierhead to allow the board to assess progress. We welcome the Management Board's views on this change as it is our intention to report all major projects in this way.
10. The financial year end is rapidly approaching. The Accounts team will be circulating its annual request for your service area contributions to preparing the annual accounts. For example, we will be seeking your creditor, debtor and fixed asset information.
11. As one financial year ends, another starts so the Budget team will also be in contact soon to issue the 2010/11 budget allocations in readiness for 1 April 2010.
12. And finally, a reminder that the Budget Framework document approved by the Chief Executive on 30 December 2009 has been circulated for information. The Finance Team will liaise with Service Heads in coming weeks to help develop a strong understanding of its implications.

ACTIONS RECOMMENDED TO THE BOARD

13. It is recommended that Board members:
 - a. Finalise their plans for the projected under spend. The most effective solution is to identify areas of expenditure that can be brought forward into 2009/10 from 2010/11;

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- b. Consider the budget performance variances for their respective service areas;**
- c. 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; and**
- d. Review the key risks flagged in the report and consider whether any additional actions should be taken.**

**Annex to the Finance Management Report for the period
April 2009 to November 2009**

- Note 1** **presents performance by service area and projects;**
- 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 under spends;**
- Note 7** **provides details of the forecast year-end outturn**

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

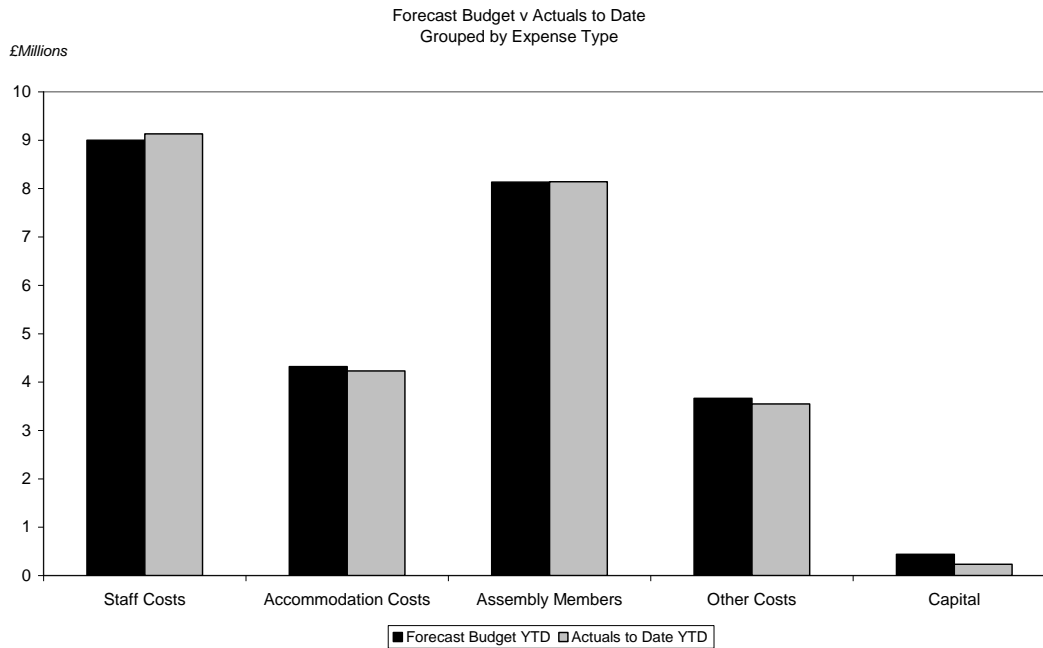
Service	Forecast to date (£'000)	Actuals to date (£'000)	Variance for the period (£'000)	Variance %	2009-10 Forecast Outturn (£'000)	2009-10 Revised Annual Budget (£'000)
Corporate Unit	1,105	1,115	-10	-1	1,797	1,844
Legal Services	378	381	-3	0	600	647
Change Board	-	-	-	-	-	-
	1,483	1,496	-13	-1	2,397	2,491
OPERATIONS DIRECTORATE						
Human Resources	977	949	28	-3	1,754	1,776
Estate & Facilities Management	4,614	4,540	74	1	7,538	7,534
Financial Services	488	489	-1	-1	795	749
ICT	2,683	2,723	-40	-1	4,875	4,818
UNO Project	112	45	67	60	2,086	2,650
External Communications	1,401	1,418	-17	-1	2,233	2,424
The Pierhead	270	130	140	52	1,109	300
Security	1,452	1,435	17	1	2,304	2,291
Procurement and Sustainability	92	89	3	3	142	132
	12,089	11,818	271	2	22,836	22,674
ASSEMBLY BUSINESS DIRECTORATE						
Members' Research Service	1,236	1,212	24	-2	1,823	1,921
Chamber & Legislation Services	680	678	2	0	1,099	1,121
Translation & Reporting Service	1,153	1,155	-2	0	1,768	1,993
Committee Service	675	671	4	1	1,106	1,295
Co-ordination Unit	59	60	-1	-1	88	95
	3,803	3,776	27	-2	5,884	6,425
Commission Services Total	17,375	17,090	285	2	31,117	31,590
Members Pay and Allowances	8,177	8,191	-14	1	12,400	12,759
Potential demands on Contingency					149	652
Total – Cash Items	25,552	25,281	271	2	43,666	45,001
Depreciation & Notion Interest	2,800	2,904	-104	4	4,356	4,200
Members Pension Provision	-	-	-	-	500	500
Total	28,352	28,185	167	1	48,522	49,701
Forecast Under spend					1,179	
Total Budget Available					49,701	

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

Service/Variance % / £'000	Reason for Variance	Action Being Taken to Rectify
Human Resources: 3% under budget	Leadership programme: Cancellation of November workshop 2009.	Workshop rescheduled for December 2009. Cost will be reflected in December spend.
	Personal training and development: Outstanding invoice for £8,000 for FHE training.	Invoice will be received and processed by January 2010. Revised forecast submitted.
Procurement and Sustainability: 3% under budget	Sustainability Improvements: New budget line, spend less than expected.	Forecast has been amended. Spend for December 2009 is on target.
UNO: 60% £67K under budget	Significant delays to Phase 1 project documentation	Provided contract is signed in early January, spend can proceed at an accelerated rate as currently forecast.
The Pierhead 7% £140k under budget	Timing differences between November and December	Delay in receipt of invoices. Quantity Surveyor must approve work before being paid, which leads to longer delays than originally anticipated.

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3. Forecast 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 (£'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	-950	652
Current Balance	1,379	-1,710	652

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5. Summary of potential demands as at 30 November 2009

Service	Potential Demands	Estimated value (£'000) of potential demands at 31 October 2009	Update as at 30 November 2009	Change in Estimated values (£'000)	New Demands in November 2009 (£'000)	Allocated from Contingency to Service Budget in November 2009 (£'000)	Estimated Potential call at 30 November 2009
ICT	Changes to FTR Gold	10	Yet to be allocated. Awaiting confirmation that existing budget can accommodate expenditure.				10
Corporate Unit	New Posts - change programme	114	Yet to be allocated. Awaiting formal project structure.				114
HR	New Assembly directory (DOB).	-	Yet to be allocated. Awaiting formal project structure.		25		25
	TOTAL	124		0	25	0	149

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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
	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 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
Members' HR	Returned from AM database project		8
	Members' Contingency no longer required		330
	Money returned from AM salary budget		60
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
Chamber	Money returned from ICT project budget line		40

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Total		1,379
 7. Projected Final Outturn (Over)/Under-spend		
	£'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		1,379
<i>Less</i> additional funds already allocated to service budgets		(1,710)
Current Balance (Note 4)		652
<i>Add</i>		
Expected under spend on members' allowances	359	
Projected Services overspend	<u>473</u>	832
<i>Less</i>		
Increase in depreciation & notional interest charges	(156)	(156)
Current Forecast Under-spend (before additional pressures)		1,328
Additional Financial Pressures: (Note 5)		
• Additional Staffing costs (various)	(114)	
• Other smaller amounts	(35)	(149)
Projected (overspend)/under-spend balance		1,179