

Y Bwrdd Rheoli Management Board

MB (02-10) 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 January 2010

This paper has been prepared for consideration by the Management Board. It has been deemed suitable for publication on the internet after Commission consideration on 18 March 2010. Premature publication or disclosure of the contents of this paper is not permitted.

OVERVIEW OF FINANCIAL PERFORMANCE FOR THE PERIOD

1. The net spend to the end of January was £36,545million with £0.232 million returned to the contingency in the month. There is a variance of 0% against a forecast of £36,474 million for January.
2. The latest forecasts from budget managers, including the £394,000 call on contingency detailed in Note 5, estimates the year end outturn to be £0.144million under spent. This reflects a 0.3% under-spend against the budget of £49.701million. It also requires the services to spend 26% of the annual outturn in the last two months of the year.
3. UNO remains a significant risk to the year end position although the contractual elements were signed week commencing 18 January. Firm costs have yet to be provided, however latest forecasts indicate an increase of almost £1million in the current financial year with additional strain on next year's budget. Colleagues in Finance and ICT are in regular contact to keep this under review.
4. The current level of under-spend assumes that spend on the Assembly Business Management system and Legislation software is no more than £50,000 and £15,000 respectively, that

we do not need any further pension provision and that UNO costs do not increase further.

5. Discussions with Budget Managers have identified a £80,000 reduction in potential spend on the refurbishment of floor 4A brought forward from 2010-11 expenditure to 2009-10. The detail is included in Note 5 of the Annex.
6. This report features an additional Note to the Annex, Note 10, which shows the change in year end forecast spend for service areas from September 2009 until February 2010.
7. Supporting detailed analysis is provided in the Annex.

KEY MESSAGES TO THE BOARD

8. The current level of projected under-spend at 0.3% is challenging and is well below the ideal figure of £250,000 highlighted in the November report. Heads of Service need to be confident that they can manage the expenditure to ensure their latest forecasts are not exceeded. Provided this approach is adopted throughout the services, there is minimal risk associated with the £144,000 year end under-spend.
9. The Management Board might wish to reconsider its decision to progress with the refurbishment on 4A (£120,000 call on contingency) in light of the significantly increased costs associated with UNO and other ICT projects. UNO's potential £1million impact on the 2010-11 budget also needs to be borne in mind.

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

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

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UNO project – the project remains at red rating reflecting the significantly increased cost for 2009-10, approximately £1 million and the continued uncertainty over the final cost which will impact on the 2010-11 budget.

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Managing the year end outturn to an acceptable level - Note 1 sets out the forecast under spend of £0.144million for 2009-10. Provided all remaining service expenditure is

managed to ensure forecast is not exceeded, the under-spend is manageable.

A Revised capital expenditure requirements have been calculated based on current known costs. The revised capital and resource budgets requirements will need to be in the supplementary budget planned by the Welsh Government for February 2010.

A The movement in pension provision remains uncertain and will only be available after the year end. Finance will contact the Members' Pension Scheme actuary at the end of February to assess whether changes in investment markets are likely to have any adverse impact.

A The Members' Casework Project does not have a signed PSM, although one is expected imminently. This means the £350,000 estimated cost can not be confirmed. The project currently has approval to commit £200,000 of expenditure and this is almost fully spent as at the end of January.

Other matters to note

11. Draft allocations for 2010-11 are expected to be issued in the week commencing 22 February 2010.

12. Planning for Budget 2011-2012 has commenced with a timetable in place. Finance expects to issue details to services before the end of March with subsequent workshops being arranged.

13. In readiness for the 2009-10 year end, the Wales Audit Office team have concluded their Interim Audit. The Finance team circulated the year end instructions to Finance Coordinators and Budget Managers. These include a schedule of key milestones to help us deliver the 2009-10 Account to time and quality. Your support is critical in helping the Finance team and your staff to deliver this information.

ACTIONS RECOMMENDED TO THE BOARD

14. It is recommended that Board members:

- a. Consider the recommendations in paragraph 8 and 9 and confirm the decision to manage to the current forecast level to the Head of Finance;**
- b. Review the budget performance variances for their respective service areas for the year up to 31 January;**
- c. Review the report in Note 9, raising any significant issues which may not have been picked up in the forecast outturn projections with the Head of Finance;**
- d. Review the new report in Note 10**

Annex to the Finance Management Report for the period April 2009 to January 2010

- 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.**
- Note 8** **presents performance by service area for January 2010.**
- Note 9** **presents forecasts by services for the remainder of the financial year. This is an additional analysis showing how the service areas are forecasting expenditure for the financial year's last three months.**
- Note 10** **Presents the change in year end forecasts over the past five months by Service.**

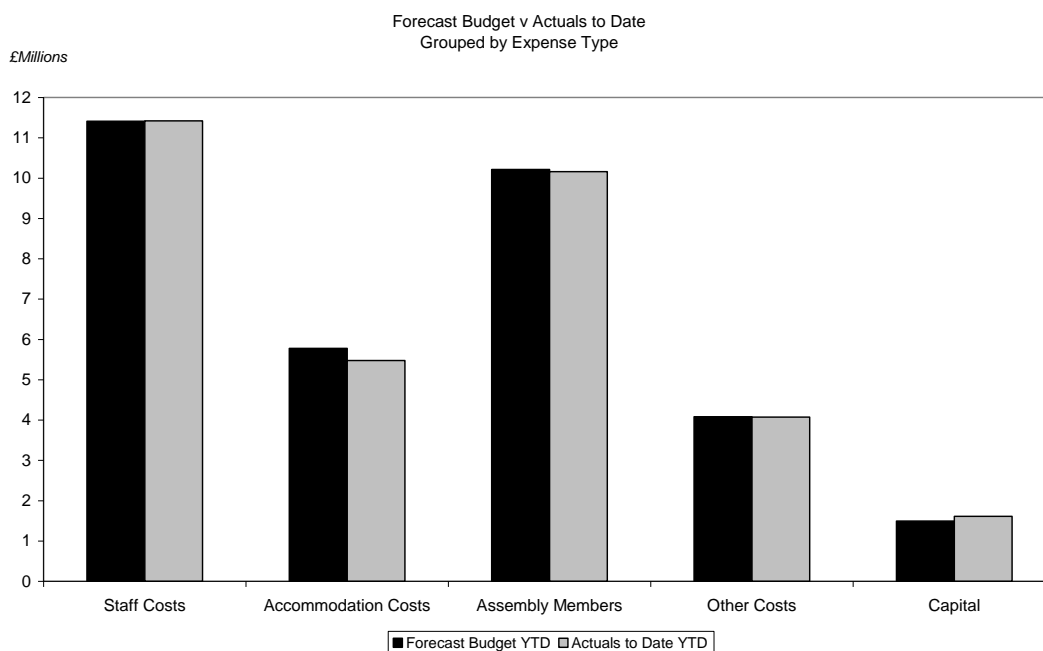
1. Budget Performance for the period April – January 2009-10

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	1,432	1,458	-26	-2	1,854	1,855
Legal Services	490	490	0	0	610	614
Change Board - Bilingual Service Review	-	-	-	-	12	12
	1,922	1,948	-26	-1	2,476	2,481
OPERATIONS DIRECTORATE						
Human Resources	1,201	1,207	-6	-1	1,462	1,476
Estate & Facilities Management	6,083	5,880	203	3	7,521	7,534
Financial Services	660	618	42	6	797	749
ICT	2,872	3,062	-190	-6	4,639	4,808
UNO Project	471	416	55	12	3,028	2,650
Members Casework project	-	179	-179	-	350	200
External Communications	1,782	1,790	-8	0	2,357	2,424
The Pierhead	958	953	5	1	1,183	1,120
Security	1,860	1,764	96	5	2,296	2,291
Procurement and Sustainability	115	112	3	2	140	132
	16,002	15,981	21	0	23,773	23,384
ASSEMBLY BUSINESS DIRECTORATE						
Members' Research Service	1,497	1,523	-26	-2	1,835	1,921
Chamber & Legislation Services	870	866	4	0	1,076	1,121
Translation & Reporting Service	1,475	1,455	20	1	1,767	1,853
Committee Service	866	852	14	2	1,103	1,220
Co-ordination Unit	75	75	0	0	90	95
	4,783	4,771	12	0	5,871	6,210
Commission Services Total	22,707	22,700	7	1	32,120	32,075
Members Pay and Allowances	10,267	10,215	52	1	12,437	12,759
Potential demands on Contingency					394	167
Total - Cash Items	32,974	32,915	59	1	44,951	45,001
Depreciation & Notion Interest	3,500	3,630	-130	-4	4,356	4,200
Members Pension Provision	-	-	-	-	250	500
Total	36,474	36,545	-71	0	49,557	49,701
Forecast Under spend					144	
Total Budget Available					49,701	

2. Explanation of Variances outside 2% Tolerance for period to January 2010

Service/Variance % / £'000	Reason for Variance	Action Being Taken to Rectify
Estates and Facilities Management: 3% under budget	Timing differences on receipt of invoices	Invoices totalling £60,000 received one month later than forecast. No risk to the year end forecast position.
Financial Services: 6% under budget	Timing differences on £43,000 for ICT Contracted out services	The invoices received one month later than forecast. No risk to the year end forecast position.
ICT: 6% Over Budget	Forecasting error	This has now been corrected Minimal risk to year end position
UNO: 12% under budget	Delays in signing PSM 1 and in the reception of costs from Siemens	Forecast reviewed. Potential risk to the year end position
Security: 5% under budget	Timing difference for one invoice	The invoice was received and paid during February. No risk to the year end forecast position.

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	-900	702
December	65	-12	755
January	232	-820	-588
Current Balance	1,676	-2,492	167

5. *Summary of potential demands as at 31 January 2010*

Service	Potential Demands	Estimated value (£'000) of potential demands at 31 December 2009	Update as at 31 January 2010	Change in Estimated values (£'000)	New Demands in January 2010 (£'000)	Allocated from Contingency to Service Budget in January 2010 (£'000)	Estimated Potential call at 31 January 2010
ICT	IT Licence costs arising from the UNO project	274	To be met from forecast under spend	-	-	-	274
EFM	Fourth floor refurbishment, furniture for A Block	200	To be met from forecast under spend subject to Management Board approval	-80	-	-	120
	TOTAL	474		-	-	-	394

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

Service	Details	Recurring (£'000)	Non - Recurring (£'000)
	Returned from Advisors – expenses/witnesses account, as not expected to be spent based on historical spend		28
Committee Service	Returned from staff costs line (no posts removed)		50
	Money returned from AM Overseas T+S, Staff UK T+S and Staff Overseas T+S		40
	Money returned from Expenses - Advisors/witnesses budget line		35
	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
Members' HR	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
	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
	Money returned from AM Training (£20k) and Corporate Training (£30k)		50
Legal	Money returned from Legal costs and Staff Costs		25
	Money returned from legal costs budget line		7
Chamber	Money returned from ICT project budget line		40
TRS	Money returned from staff costs (£100k) and from external translation budget line (£40k)		140
Total			1,676

7. *Projected Final Outturn (Over)/Under-spend*

	<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		1,676
<i>Less</i> additional funds already allocated to service budgets		(2,492)
Current Balance (Note 4)		167
<i>Add</i>		
Expected under spend on members' allowances	322	
Projected Services overspend	(45)	
Released Pension Provision	250	527
<i>Less</i>		
Increase in depreciation & notional interest charges	(156)	(156)
Current Forecast Under-spend (before additional pressures)		538
Additional Financial Pressures: (Note 5)		
• Uno Licence costs	(274)	
• 4 th Floor Refurbishment	(120)	
		(394)
Projected (overspend)/under-spend balance		144

8. Budget Performance for the period January 2010

Service	Month Forecast (£'000)	Month Actuals (£'000)	Variance for the month (£'000)	Variance %
Corporate Unit	159	185	-26	-16
Legal Services	61	61	0	-
Change Board - Bilingual Service Review	-	-	-	-
	220	246	-26	-12
OPERATIONS DIRECTORATE				
Human Resources	128	134	-6	-5
Estate & Facilities Management	612	409	203	33
Financial Services	108	66	42	39
ICT	-250	-60	-190	76
UNO Project	395	340	55	14
Members Casework project	-	179	-179	-
External Communications	174	182	-8	-5
The Pierhead	731	725	6	1
Security	236	140	96	41
Procurement and Sustainability	13	11	2	15
	2,147	2,126	21	1
ASSEMBLY BUSINESS DIRECTORATE				
Members' Research Service	142	168	-26	-18
Chamber & Legislation Services	96	93	3	3
Translation & Reporting Service	156	136	20	13
Committee Service	105	91	14	13
Co-ordination Unit	8	7	1	13
	507	495	12	2
Commission Services Total	2,874	2,867	7	0
Members Pay and Allowances	1,043	991	52	5
Total - Cash Items	3,917	3,858	59	2
Depreciation & Notion Interest	350	363	-13	-4
Members Pension Provision	-	-		
Total	4,267	4,221	46	1

9. Service Areas' monthly forecast expenditure for the last quarter 2009-10

Service	Actuals to date (£'000)	February Forecast (£'000)	March Forecast (£,000)	Year End Forecast (£'000)
Corporate Unit	1,458	163	233	1,854
Legal Services	490	49	71	610
Change Board - Bilingual Service Review	-	-	12	12
	1,948	212	316	2,476
OPERATIONS DIRECTORATE				
Human Resources	1,207	114	141	1,462
Estate & Facilities Management	5,880	580	1,061	7,521
Financial Services	618	109	70	797
ICT	3,062	569	1,008	4,639
UNO Project	416	856	1,756	3,028
Members Casework project	179	98	73	350
External Communications	1,790	216	351	2,357
The Pierhead	953	230	-	1,183
Security	1,764	286	246	2,296
Procurement and Sustainability	112	14	14	140
	15,981	3,072	4,720	23,773
ASSEMBLY BUSINESS DIRECTORATE				
Members' Research Service	1,523	142	170	1,835
Chamber & Legislation Services	866	97	113	1,076
Translation & Reporting Service	1,455	156	156	1,767
Committee Service	852	99	152	1,103
Co-ordination Unit	75	8	7	90
	4,771	502	573	5,871
Commission Services Total	22,700	3,786	5,634	32,120
Members Pay and Allowances	10,215	1,052	1,170	12,437
Potential demands on contingency			394	394
Total - Cash Items	32,915	4,838	7,173	44,951
Depreciation & Notion Interest	3,630	363	363	4,356
Members Pension Provision			250	250
Total	36,545	5,201	7,786	49,557

10. Service Areas' Year End Forecasts for 2009-10

Service	Budget as at 30/09/09 (£'000)	Forecast Sept (report) (£'000)	Forecast Oct (report) (£'000)	Forecast Nov (report) (£'000)	Forecast Dec (report) (£'000)	Forecast Jan (report) (£'000)
Corporate Unit	1,786	1,769	1,779	1,797	1,838	1,854
Legal Services	647	577	583	600	610	610
Change Board - Bilingual Service Review	-	-	-	-	12	12
	2,433	2,346	2,362	2,397	2,460	2,476
OPERATIONS DIRECTORATE						
Human Resources	1,526	1,497	1,497	1,754	1,461	1,462
Estate & Facilities Management	7,660	7,675	7,513	7,538	7,537	7,521
Financial Services	749	790	794	795	794	797
ICT	4,818	4,932	4,744	4,875	4,818	4,639
UNO Project	-	-	2,650	2,086	2,086	3,028
Members Casework project	-	-	-	-	320	350
External Communications	2,724	3,335	2,217	2,233	2,275	2,357
The Pierhead	-	-	1,107	1,109	1,217	1,183
Security	2,280	2,231	2,321	2,304	2,292	2,296
Procurement and Sustainability	-	-	144	142	143	140
	19,757	20,461	22,987	22,836	22,943	23,773
ASSEMBLY BUSINESS DIRECTORATE						
Members' Research Service	1,922	1,828	1,846	1,823	1,832	1,835
Chamber & Legislation Services	1,161	1,104	1,101	1,099	1,118	1,076
Translation & Reporting Service	1,993	1,751	1,765	1,768	1,787	1,767
Committee Service	1,295	1,119	1,110	1,106	1,126	1,103
Co-ordination Unit	96	88	88	88	91	90
	6,467	5,889	5,911	5,884	5,954	5,871
Commission Services Total	28,657	28,695	31,260	31,117	31,357	32,120
Members Pay and Allowances	12,819	12,546	12,386	12,400	12,489	12,437
Total – Cash Items	41,476	41,241	43,646	43,517	43,846	44,557
Depreciation & Notion Interest	4,200	4,356	4,356	4,356	4,356	4,356
Members Pension Provision	500	500	500	500	250	250
Supplementary Budget	-	1,950	-	-	-	-
Total	46,176	48,047	48,502	48,373	48,452	49,163
Potential demands on Contingency	1,575	1,173	374	149	474	394
Total	47,751	49,220	48,876	48,522	48,926	49,557

