

Item: 10

Title: Finance Report – Month 6 – 2023/24

Gweithredu / Action required	Note
Amseru / Timing	Urgent
Argymhelliad / Recommendation	It is recommended that the Board notes the Month 6 Finance Report and endorses the approach to return funds to Welsh Government to support the overall Welsh public finance position.
Risg / Risk	Reputational and financial risk
Cyllid / Finance	N/A
Amcan Cynllun Corfforaethol / Corporate Plan Objective/Amcan Rhaglen/ Programme objective	Llais financial governance
Cydraddoldeb / Equality	N/A
Cyfathrebu / Communications	Please tick one of the following boxes if this activity will have an impact on: Internal: our people <input checked="" type="checkbox"/> External: our customers/partners/stakeholders <input checked="" type="checkbox"/> External: our organisation's reputation <input checked="" type="checkbox"/>
Cymeradwyaeth / Approval/Clearance	This paper has been cleared by the Chief Executive.
Trafodaethau/ Penderfyniadau Blaenorol / Previous discussions/decisions	N/A
Awdur/ Cyflwyno / Author/presenting	Alun Lloyd

Dyddiad / Date

16-10-2023

Cefndir / Background

This Financial Plan 2023/24 was formally approved at the July 2023 Board meeting. The purpose of this report is to outline to the Audit and Risk Assurance Committee (ARAC) and the Board the financial position as at 30th September 2023 (M6).

The Financial Plan 2023/24 set out how Llais planned to meet the financial duty to ensure that net expenditure does not exceed the net revenue resource budgets. Within that balanced plan the expenditure budgets included £0.207m unallocated budgets.

This finance report details progress with the approved financial plan and performance against the approved plan.

The Board is requested to:

- Note the contents of this report
- formally approve the approach to return unspent funds back to Welsh Government

Manylion / Detail

Financial Plan

The Financial Plan 2023/24 set out how Llais planned to meet the financial duty to ensure that net expenditure does not exceed the net revenue resource budgets.

The financial plan noted

- significant additional investment of £2.653m for Llais, equivalent to additional 57% on the CHC Baseline
- that for a number of budget lines Welsh Government had assumed slippage on appointment dates for new posts and therefore reduced funding by 25% for 2023/24
- while the funding, and proposed budgets, had been set out around these budget lines Llais had flexibility in the use of this funding on additional staff posts as its organization structure is finalised.

Financial Plan Progress

Following the Financial Plan approval further action have been undertaken:

- Budgetary Delegation

Budgetary Delegation letters have been issued to all budget holders, confirming the budget figures as well as detailing responsibilities and accountabilities for the efficient and effective use of resources.

- Budget Updates

The main budget updates, since plan approval, include:

- Pay Award Funding

All Llais staff, other than the Chief Executive, are on the NHS Agenda for Change (AfC) pay scales and terms and conditions. For 2023/24 the pay scales have been uplifted by 5% as notified by the Pay Circular issued by Welsh Government. To meet the costs the delegated pay budgets have been uplifted. This uplift equated to £259k.

- Central Budgets Changes

As noted in the plan Llais had flexibility in the use of this funding on additional staff posts as its organization structure is finalised. These changes include the following:

- Transfer of Translation Budget from Finance & Governance to Strategy £138k
- Non Recurrent Transfer of underspent funds from Regions to Unallocated Funds £180k

Financial Performance at Month 6

The detailed financial performance at Month 6 is attached as Annex A to this report.

At month 6 the financial performance equates to an underspend of £531k against delegated budgets. The main variances in the performance to date are:

- Pay Underspend - £313k

The financial plan included a significant planned increase in number of staff from 79.05 whole time equivalents to 113.84. While it was noted that Welsh Government had already reduced new posts funding for expected slippage of 25% (that they assumed start date of 1 July) it was recognised that the actual start dates were expected to be later and that actual slippage would be greater than that assumed by Welsh Government. This slippage on new post appointments is the key driver of pay underspends in 2023/24.

- Travel Expenses Underspend - £41k

Post Covid the amount of travel undertaken by staff have significantly reduced, leading to underspends against all regional teams. At this stage the budgets have not been reset. The travel budget levels for 2024/25 will need to be reviewed as part of the 2024/25 financial planning process.

- Training Underspend - £55k

The financial plan included significant additional core funding for training. As new staff recruitment has slipped the training requirement and spend for those new staff has also slipped.

- Digital & IT Underspend - £171k

Underspend includes agency pay slippage as well as delays on leasing and new hardware for the staff to be recruited.

New Posts

The Recruitment Update Board paper details the current position on the recruitment to the various new posts. As detailed above the funding from Welsh Government assumed 25% slippage on funding, assuming 1 July start dates. The update report

confirms that there is significant slippage on recruitment timelines over the original assumptions, with many new posts due to be filled in the period from November onwards. The financial forecast below assumes that most of these posts will be filled between November and January.

Finance and Human Resources teams are closely working together to monitor progress on these new posts as this is one of the key variables in the financial position and in service delivery.

Financial Forecast

While the Month 6 financial performance to date reports an underspend of £531k the forecast for year end is for an underspend of £185k. This forecast is based on Llais absorbing, in 2023/24, additional costs in the following areas:

- 2023/24 Pay Awards £259k

Welsh Government did not provide funds in 2023/24 for the expected additional costs of £259k. They assumed that the costs would be funded, on a non recurrent basis, from new posts recruitment slippage and other underspends.

Llais will submit to Welsh Government 2024/25 funding requirements to allow Welsh Government colleagues to include in their 2024/25 budget exercise submission. These funding requirements will include additional funding expected for both 2023/24 and 2024/25 pay awards and inflation funding.

- Capgemini CRM Contract £250k

In working with Welsh Government colleagues it is clear that the funding allocated for this investment is insufficient. This 2023/24 shortfall of £250k will be funded from Llais underspends.

- Projects & Agency

In light of the expected staff slippage funds have been allocated toward projects, marketing and governance reviews, as well as using agency staff to cover gaps in the establishment.

- Additional Corporate Post

Subject to Board discussion and support, as per proposal in the Recruitment Update, the costs of this additional post has been built into the financial forecast.

In addition to absorbing these additional costs it is clear that the additional £62k funding for training included in the Financial Plan will not be required and it is proposed that this will be returned.

Following finalisation of the reported month 6 position the Head of Finance is meeting with budget holders to review and update the financial forecast. Some of these meetings have taken place and, as flagged up earlier in this report, £180k unspent funds have been released back to the centre and included in the forecast. These meetings will continue over next couple of weeks to validate and update the financial forecast.

It is clear that the Welsh Public Sector finance is in a very challenging position. As part of the regular monthly meetings with the “sponsor” department in Welsh Government Llais have been requested to identify potential return of funds in 2023/24 to support this challenging position. In making any assessment of return of funds we aim to balance our commitment to supporting the wider system and the continued delivery of essential Llais services and functions.

We recognise that Welsh Government have made significant investment into Llais in 2023/24 and 2024/25 and it is entirely appropriate that Llais considers non recurrent return of unspent funds to Welsh Government in 2023/24. While the exercise to finalise the financial forecast is not yet complete the proposed approach will be, subject to Board approval, to:

- Return the £62k additional training funds
- Return year end forecast underspend (currently estimated to be £185k) whilst meeting our financial duty, that is ensuring that net expenditure does not exceed the net revenue resource budgets

This financial forecast exercise and finalisation of any return of funds will be completed by end of October.

Cash Management

As noted in the Financial Plan there is an additional funding requirement to manage cash within tolerance limits. The funding letter confirms this as:

“Cash grant-in-aid must not be drawn down in advance of need as retaining excessive amounts of cash is an inefficient use of public funding. Any unspent grant-in-aid retained each month and at the end of the year must be kept within 4% and 2% respectively of the total cash grant-in-aid awarded for that year.”

At the end of September the cash balance at the bank was £371k, this equates to 4.75% of the £7,805k. This exceeds the target. The cause of exceeding the target was that non pay payment runs have been lower than expected when the monthly cash draw down estimates were submitted to Welsh Government. Further work is being undertaken to understand delays in the payment system between when payments are authorised and when payments go out.

Recommendations

The Board is requested to:

- Note the contents of this report
- formally approve the approach to return of surplus funds back to Welsh Government

Annex A											
Overall Expenditure Budgets											
Delegated Budgets			September 2023			Year to Date			Full Year Forecast 2023/24		
	Budget	Actual	Budget	Actual	Variance	Budget	Actual	Variance	Budget	F'cast	Variance
	wte	wte	£	£	£	£	£	£	£	£	£
Strategic Director of Corporate Services											
Gwent Region	12.60	10.11	55,005	47,684	(7,321)	312,804	280,880	(31,924)	604,690	602,512	(2,178)
Neath Port Talbot & Swansea Region	10.51	8.56	47,391	37,678	(9,713)	261,530	240,177	(21,353)	533,359	530,664	(2,695)
North Wales Region	15.80	14.40	75,244	70,579	(4,665)	438,683	406,114	(32,569)	871,862	866,655	(5,207)
Cardiff & The Vale Region	11.80	10.68	51,681	51,939	258	285,226	267,814	(17,412)	575,202	571,076	(4,126)
Cwm Taf Morgannwg Region	10.80	8.30	46,865	37,878	(8,987)	256,332	219,921	(36,411)	502,764	499,415	(3,349)
West Wales Region	12.09	10.41	55,365	46,891	(8,474)	315,961	274,619	(41,342)	612,200	610,880	(1,320)
Powys	9.45	8.45	42,384	38,413	(3,971)	232,923	218,780	(14,143)	469,239	466,897	(2,342)
Sub-Total - Operational Regions	83.05	70.91	373,935	331,062	(42,873)	2,103,459	1,908,304	(195,155)	4,169,316	4,148,100	(21,216)
Corporate Office											
Central Costs											
Board	12.00	10.00	52,005	49,363	(2,642)	250,029	238,725	(11,304)	561,128	584,859	23,731
WorkForce / WOD	3.39	3.34	33,486	16,189	(17,297)	169,595	96,991	(72,604)	350,511	330,977	(19,534)
Finance & Governance	4.40	4.20	30,258	38,348	8,090	207,638	211,753	4,115	389,190	464,029	74,839
ICT	2.00	1.50	77,718	43,629	(34,089)	460,564	289,457	(171,107)	894,880	640,961	(253,919)
Capgemini CRM Contract	-	-	77,000	77,068	68	187,000	186,988	(12)	540,000	790,000	250,000
Staff & Member Conference	-	-	0	0	0	0	0	0	0	10,000	10,000
Sub-Total - Corporate & Central	21.79	19.04	270,467	224,597	(45,870)	1,274,826	1,023,913	(250,913)	2,735,709	2,820,826	85,117
Sub Total - Strategic Director of Corporate Services	104.84	89.95	644,402	555,659	(88,743)	3,378,285	2,932,217	(446,068)	6,905,025	6,968,926	63,901
Strategic Director of Organisational Strategy and Engagement											
Central Costs											
Strategy	9.00	1.00	40,195	6,115	(34,080)	162,894	77,865	(85,029)	404,064	588,598	184,534
Sub Total - Strategic Director of Organisational Strategy and Engagement	9.00	1.00	40,195	6,115	(34,080)	162,894	77,865	(85,029)	404,064	588,598	184,534
Sub Total - Delegated Budgets	113.84	90.95	684,597	561,774	(122,823)	3,541,179	3,010,082	(531,097)	7,309,089	7,557,524	248,435
Unallocated Budgets											
Additional Training			0	0	0	0	0	0	62,500	62,500	0
Contingency - Unallocated Budget			0	0	0	0	0	0	433,911	0	(433,911)
GRAND TOTAL	113.84	90.95	684,597	561,774	(122,823)	3,541,179	3,010,082	(531,097)	7,805,500	7,620,024	(185,476)

