

4 December 2014

Paper Title	Finance Update 2014-15
Paper Reference:	NRW B B 81.14
Paper Prepared By:	Rob Bell and Andrea Morgan

Purpose of Paper:	To update the Board on the financial position for 2014-15.
Recommendation:	To note the contents of the paper and feedback on any issues raised.
Decision Required:	No

Impact: To note – all headings might not be applicable to the topic	Impact on the Environment: Effective use of our income will ensure that scarce resources are focussed on delivering priority outcomes.
	Impact on the Economy: Effective use of our resources ensures we demonstrate value for money to customers that we charge for our service.
	Impact on Community: Effective use of our resources ensures that we maximise the benefits to communities.
	Impact on Knowledge: n/a

Issue

1. To provide the Board with an update on the financial position to the end of October 2014.

Summary

2. The latest financial position is summarised within this report. We are currently in line to achieve our planned end of year target.

Background

3. The current budgeted income and expenditure position is as reported to the Board in October. At that meeting, the Board approved the recommendations from the Quarter 2 Budget Review. A summary of the movements in our overall budget during the financial year can be found at Annex A.

Financial Performance as at October 2014

4. A summary of our Financial Performance can be found at Annex B.
5. **Expenditure** to end of October was £96.2m compared to a target of £98.6m, an under spend of £2.4m (2.5%). The reasons for this variance are:
 - Staff Costs are currently 1.9% (£0.7m) ahead of target.
 - Operational Costs are behind target by 9.6% (£3.3m). This is due to spend being behind profile in certain areas of the business.
 - Revenue Projects are behind target by 9.5% (£0.8m), due to change in expenditure profiles from that originally planned.
 - Capital Project expenditure to the end of October is ahead of profile by 2.8% (£0.8m) and will be managed within the overall target for the year.
6. **Income** (excluding Grant in Aid) is 2.3% (£1.1m) ahead of target at end of October, with actual income of £50.1m compared to a target of £49.0m. This is in the main due to Water Resource Abstraction charges being higher than anticipated.

7. These Expenditure and Income variances will be reviewed as part of the **Quarter 3 Budget Review** currently being undertaken within Directorates. The results of this review will be reported to the Executive Team in December.
8. Financial **Compliance** on payment performance, income debt and payroll accuracy are all on, or ahead of, target.

Risks

9. There remains a risk that the **Flood and Coastal Risk Management capital investment programme** will be under spent at the year end. A significant part of the capital programme remains to be undertaken over the second half of the year, with construction planned for the winter months. The programme is being closely monitored.
10. The implementation of the **new Finance & HR system** is planned for 1st December 2014 and staff are currently focussed on transitioning on to this system. Financial reports from December 2014 onwards will be produced from the new system.

Financial Implications

9. The paper is designed to highlight the financial implications to Natural Resources Wales for 2014-15.

Communications

10. Communications of the issues contained within this report have been reported to the Executive Team during November, and in more detail to individual Directorate teams.
11. We are currently on track to introduce a new Finance and HR system by 1 December 2014, replacing our three legacy systems. There is a significant training and communication plan in place to ensure that the implementation is successful.

Equality impact assessment (EqIA)

12. Not applicable.

Annex

Annex A - Budget Movement Summary

Annex B - Budget Management Report October 2014