

Board Paper

12th May 2016

Paper Title	Interim End of Year Finance Report 2015/16
Paper Reference:	NRW B 25.16
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Purpose of Paper:	Information
Recommendation:	<p>To note:</p> <ul style="list-style-type: none"> • the <i>indicative</i> financial position for 2015-16; • timescales for the production of Annual Report and Accounts for 2015-16; • update on potential impact on the Budget for 2016-17.

Impact: To note – all headings might not be applicable to the topic	<p>Looking at the <u>long term</u>: This paper focuses on the previous and current financial year plus sound financial management is an important element in planning for the long term.</p> <p>Taking an <u>integrated</u> approach:</p> <p>Involving a <u>diversity</u> of the population:</p> <p>Working in a <u>collaborative</u> way:</p> <p><u>Preventing</u> issues from occurring: This paper highlights actions being undertaken to mitigate our future funding.</p>
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Issue

1. The Board to note that the Executive Team will be considering our financial performance for 2015-16 and budget position for 2016-17 and we will formally report on both those to the Board in July.
2. The Audit, Risk and Assurance Committee will be considering the Annual Reports and Accounts and will report back to the Board in both July and September.
3. This paper provides an update on progress.

Background

4. This paper provides an update on the financial position **for 2015-16**. We are still **finalising** the end of year position and that will be subject to external audit.
5. We are proceeding to timetable on the production of the Annual Report and Accounts for 2015-16. This is following a slightly revised format this year which will benefit readers and has been undertaken in line with the requirements of Treasury's Financial Reporting Manual.
6. Since the Board approved the Opening Budget for 2016-17 in March we have received confirmation from Welsh Government about changes to our funding position this year (expecting £14m additional Grant in Aid but received £12.3m). This together with the end of year position will have an impact on our Budget for 2016-17. This paper brings some of those changes to your attention and will seek formal ratification of a Revised Budget in July when Executive Team has concluded their consideration of the final position for 2015-16.
7. Our regulatory Charge Scheme for 2016-17 was approved by Welsh Government in March.

Assessment

Interim Financial Performance Update for 2015-16

8. The anticipated year end position (2015-16) is as follows:
 - We have received the additional Grant in Aid to use for pressures in 2016-17 (£12.3m).

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- We anticipate that income (excluding Grant in Aid) will be approximately £2.2m more than forecasted in February. This is an excellent position and is mainly due to timber income being above budget, partly due to additional sales volume (which incurred some additional cost of sales) and positive market conditions. Also, charge income is above forecast with those funds being 'ring fenced' for the specific charge schemes.
- We took the decision to make a payment to the Local Government Pension Scheme for £1.5m in March which paid of part of the pension deficit which we would have had to pay in financial year 2016-17. Offsetting this is a reduction in the expected revenue expenditure position of £1.3m.
- We were anticipating spend on the Flood Risk Capital Programme of between £16m and £17m. Actual spend is nearer £16.7m.
- Therefore we anticipate more funding to be available in 2016-17 as a result of the budgetary performance in 2015-16, mainly due to our end of year income position and our ability to carry forward.

This is illustrated in the table below:

Year End Position - 2016-17	Income	Expenditure	Balance
	£m	£m	£m
Forecast position at February 2016	190.9	181.8	9.1
Additional Grant in Aid from Welsh Government	12.3		12.3
Additional Income	2.2		2.2
Directorate Expenditure Performance		-1.3	1.3
Payment to Pension Fund		1.5	-1.5
Year End Position	205.4	182.0	23.4

Timeline for 2015-16 Annual Report and Accounts production

9. We are proceeding to plan on producing the Annual Report and Accounts for 2015-16. The key points in the timescale for their production are:
 - Finalise Draft Report and Accounts numbers – May 2016;

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- External Audit by WAO – June 2016;
- ARAC to review the provisional Annual Accounts and underlying financial position – June 2016;
- Annual Reports and Accounts endorsed by ARAC and signed by Accounting Officer and Chair – July 2016;
- Annual Reports and Accounts Audit Certificate signed by Auditor General Wales – July 2016.

Budget Update for 2016-17

10. Since the Board approved the Budget and Business Plan in 2016-17 there have been several changes that need to be incorporated into this year's Revised Budget. Executive Team will meet to consider those changes in May along with an up to date end of year position to make decisions on changes to the budget. The main areas of change are highlighted below:

- Invest to Save bid for Welsh Government funding to run a Voluntary Exit Scheme was successful (£3.75m).
- Received confirmation from Welsh Government that they will continue to fund the Rights of Way Infrastructure and Improvement Programme and the Flytipping Action Wales Programme (£1m and £0.2m respectively).
- We had provisionally included £2m of Non Flood Capital funding from Welsh Government as part of their end of year review, but this has not materialised. We did receive an additional £0.25m Revenue Grant in Aid for Flood (from £0.5m to £0.75m).
- How to allocate any additional balances in this year's budget carry forward (for reasons explained in Paragraph 6 above).

Recommendation

11. For the Board to note:
- The indicative financial position for 2015-16.
 - Timescales for the production of the Annual Report and Accounts for 2015-16.
 - The update on the impact on Budgets for 2016-17.

Key Risks

12. As explained above, we are still in the process of finalising the year end position and it is subject to external audit. We don't expect there to be any material change to the position outlined in Paragraph 8 and will formally report to the Board in July.

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13. The reduction in funding of £2m from Welsh Government for non-Flood Capital will have an impact. The budget was allocated to items such as continuing with ICT transformation and Cwmcarn Forest Drive. Welsh Government have indicated that funding might become available during this financial year but the Executive Team will decide whether to mitigate any of this impact now based on our end of year position.

Financial Implications

14. The only financial implication for the production of the year end performance report, updated budgets and the Annual Reports and Accounts Budget and Business Plan, aside from staff time, is the external audit fee.

Equality impact assessment (EqIA)

15. None Required.

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None