

Board Paper

6th July 2016

Paper Title	End of Year Finance Report
Paper Reference:	NRW B B 40.16
Paper Prepared By:	Andrea Morgan, Business Finance Manager Rob Bell, Head of Finance
Paper Sponsored By:	Kevin Ingram, Executive Director of Finance and Corporate Services

Purpose of Paper:	Scrutiny and Decision
Recommendation:	<p>To scrutinise</p> <ul style="list-style-type: none"> Financial performance for 2015-16; <p>To note:</p> <ul style="list-style-type: none"> Progress on the production of the Annual Report and Accounts for 2015-16; <p>To agree</p> <ul style="list-style-type: none"> Revision to this year's Opening Budget, through the creation of a Quarter 1 Revised Budget.

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>
--	--

Board Paper

	<p>Working in a <u>collaborative</u> way:</p> <p><u>Preventing</u> issues from occurring: This paper highlights actions being undertaken to mitigate reductions to our future funding.</p>
--	--

Issue

1. We achieved a good set of financial performance results for 2015-16 – over achieving on our income targets and managing within our expenditure budget, partly through successful initiatives such as our efficiency campaign, Success with Less. This has allowed us to carry forward funding to 2016-17 to help fund high priority work.
2. The Audit, Risk and Assurance Committee (ARAC) met in June to consider the Draft Annual Report and Accounts. Work is continuing to timescale and ARAC will re-convene on the 12th July to consider the final version of the report and accounts following the conclusion of the audit by Wales Audit Office (WAO).
3. NRW reviews its budget on a quarterly basis. This paper seeks formal agreement of the Quarter 1 Revised Budget which covers amendments arising from the confirmation of the 2015-16 carry forward position and changes to funding from Welsh Government.

Background

4. At the Board meeting on the 12th May we set out the indicative financial position for 2015-16 whilst we were still **finalising** the end of year position. We reported income of £205.4m and expenditure of £182m. We can report that the updated position is income of £205.3m and expenditure of £182.1m.

Assessment

Financial Performance Update for 2015-16

5. The year-end position (2015-16) was as follows:
 - We received additional Grant in Aid from Welsh Government to fund pressures in 2016-17 (£12.3m).
 - Income (excluding Grant in Aid) was approximately £2.1m more than forecast in February. This is an excellent position and is mainly due to timber income being above target. Also, charge income was above forecast with this income being ‘ring fenced’ for specific charge schemes.

Board Paper

- We made a payment to the Local Government Pension Scheme of £1.5m in March which paid off part of the pension deficit which we would have had to pay in financial year 2016-17.
- Offsetting this was a reduction in the expected revenue expenditure position of £1.2m due to positive spend management.
- We were anticipating spend on the Flood Risk Capital Programme of between £16m and £17m. Actual spend was £16.7m.
- Therefore more funding is available in 2016-17 carried forward as a result of the budgetary performance in 2015-16, mainly due to our end of year income position.
- We also achieved an excellent set of compliance results (supplier payment performance and debt recovery) in March which shows how well staff have adapted to the new system during last year and the improvements we have made to its functionality.

The overall financial position is summarised in the table below:

Year end Position 2015-16	Year end Performance		
	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	2.1		2.1
Directorate Expenditure Performance		-1.2	1.2
Pension Scheme Payment		1.5	-1.5
Year end position	205.3	182.1	23.2

Annex A provides a summary of the financial report for 2015-16.

Board Paper

6. We are proceeding to plan to produce the Annual Report and Accounts for 2015-16. At the time of writing this report WAO are still auditing our Report and Accounts. The draft Report and Accounts were presented to ARAC on 10th June, which followed a more detailed session looking at the Accounts with both Nigel Reader and Karen Balmer. ARAC will meet again on the 12th July when it considers making the recommendation to the Accounting Officer that he can sign the Annual Report and Accounts.

Budget Update for 2016-17

7. 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 have met in May to consider those changes, incorporating the revised carried forward position. The changes are highlighted below:

	Income	Expenditure
	£m	£m
Quarter 1 Budget Changes 2016-17		
Opening Budget 2016-17	178.4	178.4
Changes to Carry Forward from 2015-16:		
Projects and Initiatives	0.1	0.1
Additional net Income	0.5	
Changes in additional Grant in Aid from Welsh Government (from £14m to £12.3m)		
Non Flood Capital	-2.0	
Flood Revenue	0.3	
Pension payment included in 2016-17 Budget - paid in 2015-16		-1.5
Other specific funding changes:		
Additional GiA - Invest to Save: Voluntary Exit Scheme (I2S: VES)	3.8	3.8
Additional GiA - Rights of Way Infrastructure Improvements (ROWIP)	1.0	1.0
Additional GiA - Flight Tipping Action Wales (FTAW)	0.2	0.2
Increase in Land sales	0.1	
Wind Energy -Option fees	0.3	0.3
Expenditure prioritisation changes:		
Reduction in level of funding allocated to revenue projects		-0.7
Accommodation Strategy - South feasibility		0.1
Extension of use of Environment Agency flood systems		0.4
Reinstatement of Flood Operations Budget previously reduced		0.1
Increase in contingency provision for in-year pressures		0.5
Quarter 1 Revised Budget 2016-17	182.7	182.7

Board Paper

8. At the end of May, our income was ahead of budget to date (£54m) by £0.7m (1%). Our expenditure was behind budget to date (£24m) by £1.4m (6%). It's early in the financial year and there is no cause for concern in the financial performance to date.

Recommendation

9. The Board is asked:
- To scrutinise the financial performance for 2015-16;
 - To note progress on the production of the Annual Report and Accounts for 2015-16.
 - To approve the revision to this year's Opening Budget, through the creation of a Quarter 1 Revised Budget.

Key Risks

10. The audit of the Annual Report and Accounts is proceeding well but still not complete. Therefore, we don't expect there to be any material change to the position outlined in this report.
11. There are still a number of pressures which we are managing this financial year which we have begun to build up a contingency to meet. They include the cost of a potential negotiated exit from legacy body residual costs, the impact of Job Evaluation and back pay and investment required to implement the proposals from the Business Area Reviews.

Financial Implications

12. 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)

13. None Required.



**Cyfoeth
Naturiol**
Cymru
**Natural
Resources**
Wales

Board Paper