

Board Paper

9 July 2015

Paper Title	Finance Report
Paper Reference:	NRW B B 39.15
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Purpose of Paper:	To provide an update on: - the financial position as at 31 March 2015 - timescale for the completion of the Annual Report and Accounts for 2014-15 - current finance matters
Recommendation:	To note and provide feedback on the contents of this paper
Decision Required:	n/a

Impact:	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
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Issue

1. To provide the Board with an update on:
 - the financial position as at 31 March 2015
 - timescale for the completion of the Annual Report and Accounts for 2014-15
 - progress on current finance matters

Summary

2. This paper provides an update on the final financial position for 2014-15. This is subject to external audit, which has begun and is scheduled to be completed by early July. A verbal update will be given at the Board meeting on the progress of the external audit.

A summary of the financial performance is included at Annex A. This measures actual outturn against Revised Budget.

3. This has been a financially challenging year for NRW.

We have made significant investment in ICT transformation to make NRW a fully standalone organisation, and have continued to invest in dealing with the spread of *P ramorum*.

By delivering efficiencies and bringing in additional timber income we have been able to manage our budget to allow us to carry-forward funding to help meet financial pressures in 2015-16.

Key Messages

Financial Performance 2014-15

4. At the start of the year we planned for a balanced budget (expenditure equal with income) of £191.4m.

At the year-end our annual expenditure was broadly in line with this, at £192.2m, despite having to manage unforeseen events such as a pre-vesting VAT demand of £200k.

At the year-end our annual income was £212.7m, mainly due to additional Grant-in-Aid and timber income.

This has allowed us to carry forward £20.5m of funding to 2015-16. Of this, £18.2m is for specific ring-fenced programmes such as Flood Risk capital works and for dealing with plant health issues (*P ramorum*). The remaining £2.3m can be used to help mitigate pressures in 2015-16.

5. The additional income received in the year can be summarised as follows:
- Grant in Aid received for specific programmes of work to be delivered in 2015-16, such as Flood Risk capital works and dealing with *P ramorum* (£10m).
 - Grant-in-Aid received during 2014-15 to fund rights of way improvements, nature zone trials and for invest to save projects (£5m).
 - Timber income due to favourable market conditions (£3.6m)
 - Additional income from windfarm option fees (£2.5m)

Annual Report and Accounts 2014-15

6. We are proceeding to plan in producing the Annual Report and Accounts for 2014-15.

The key steps in their production are:

- Consideration of draft Annual Report and Accounts by the Audit and Risk Assurance Committee (ARAC) – 11 June 2015;
 - External Audit by the Welsh Audit Office – June 2015;
 - Annual Reports and Accounts endorsed by ARAC and signed by the Accounting Officer and Chairman – 17 July 2015;
 - Annual Reports and Accounts Audit Certificate signed by the Auditor General Wales – July 2015.
7. In addition to the NRW Annual Report and Accounts we are also in the process of completing the 2014-15 Annual Returns for the three Internal Drainage Boards that became part of NRW on 1 April 2015.

Forward Look

8. A balanced budget has been set for 2015-16 and delegation letters issued to Directors. This includes the distribution of the additional Grant in Aid provided by Welsh Government at the end of last financial year.
9. We have launched the 'Success With Less' efficiency campaign with the aim of making £3m of recurring efficiency savings.
10. We continue to model our income and cost base to ensure that we have plans in place to deal with future financial challenges.

Next Steps

11. The NRW Annual Report and Accounts for 2014-15 to be audited and signed off before the end of July.
12. We will start to undertake our planning for 2016-17 and future year budgets during Quarter 1.

Risks

13. The financial performance reported in this paper is still subject to external audit. A verbal update on progress will be given at the meeting.
14. Our financial planning for future years is based on assumptions regarding the impact of reductions in public sector funding. We will amend these assumptions as the position becomes clearer.

Financial Implications

15. This paper is all about the finances of NRW. There are no additional financial implication arising beyond the time spent by staff in the preparation of the Accounts and the development of the Budget.

Communications

16. Internal communications are currently focussed on the Success with Less efficiency programme. The 2014-15 Annual Report is also being developed, ready for publication post July.

Equality impact assessment (EqIA)

17. Not required.

Annex 1 – Financial Performance Report as at March 2015