

Board Paper

9th October 2015

Paper Title	Finance Report 2015-16
Paper Reference:	NRW B B 52.15
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Purpose of Paper:	To update the Board on the current financial position for 2015-16 and endorse the Revised Budget.
Recommendation:	To note and feedback on the contents of the paper.
Decision Required:	Yes

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
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Issue

1. To provide the Board with an update on the latest financial position for 2015-16 and the changes made to the Quarter 1 Revised Budget.

Summary

2. The Opening Budget, approved by the Board in March, was revised at the end of Quarter 1 to take into account additional funding carried-forward from 2014-15. The Revised Budget is balanced, with Income equal to Expenditure.
3. This report provides the Board with a summary of the latest financial position as at 31 August 2015.

We are managing our income and revenue expenditure in line with Budget. Capital expenditure is slightly below Budget; this is planned so that we carry-forward funding to 2016-17 for delivery of high priority projects.

Key Messages

Changes to 2015-16 Budget

4. Our budgeting principles set out that the Board will approve an Opening Budget for Income and Expenditure prior to the start of a Financial Year.

Changes to this Budget will be kept to a minimum, but there are likely to be Revised Budgets issues at the following times:

- At the end of Quarter 1 a Revised Budget will be issued should there be any additional Income identified or any changes to the prior-year position that have an impact on income carried-forward into the current year.
 - At the half year there will be a detailed Mid-Year Budget exercise and any significant changes or reprioritisation will be reflected in a Mid-Year Revised Budget.
 - Any other material forecast changes will be shown as a Forecast Outturn
5. We started the current financial year with a balanced budget of £176m, with Income equal to Expenditure. The Board approved this Budget in March 2015.
 6. At the end of Quarter 1 we have produced a Revised Budget to recognise additional income that has been carried-forward from 2014-15. The impact of these changes is that we are still working to a balanced budget position, with both Income and Expenditure now budgeted at £187m for the year.

7. A summary of the increases to both income and expenditure is summarised below:

Item	Value (£m)
Additional chargeable income and expenditure	1.3
Changes to externally funded grant programmes and other income	1.1
Additional Grant in Aid (GiA) received for specific work eg carbon positive organisation, reservoir compliance	3.1
Income carried forward from 2014-15 for specific programmes of work eg Flood capital programme	5.8
Total increase in both Income and Expenditure	10.4

Year to Date Financial Report

8. A summary of the financial performance as at the end of August 2015, can be found at Annex A.
9. Income is slightly ahead of profile (less than 1%) and at this stage of the financial year, total Income for the year is expected to be in line with the Revised Budget.
10. Expenditure is 2.5% (or £1.7m) below Budget.

The main reason is that the Flood Capital Programme is £2.8m behind profile and has £15m left of the £20m full year budget still to be spent. The under-spend to date is spread amongst a number of schemes. We will look to agree with Welsh Government that we can carry capital funding forward to complete high priority projects in 2016-17.

11. We are undertaking a Mid-Year review of progress against budget during September and October. We are planning on reduced funding in 2016-17 so we will be taking tactical decisions to reduce our cost base during the second half of the year.

Charge Income 2016-17

12. We launched a 12 week consultation on our Charging Schemes for 2016-17 on 3 September 2015. We are recommending that the majority of schemes maintain rates at 2015-16 levels, with NRW absorbing the impact of inflation. There are some technical and charging changes proposed to waste operations and flood defence consents. The Consultation also includes plans for charging beyond 2016-17.

Annual Report and Accounts

13. The Annual Report and Accounts for 2014-15 was successfully completed, audited and laid before the Welsh Assembly in July 2015. Bilingual versions of this document are published on our website for information.

Welsh Government Financial Approvals

14. The following items have been submitted to Welsh Government for approval during the first 5 months of 2015-16. Under the NRW Financial Scheme of Delegation these items are presented to the Board for information.

Item	Value £m	Description	Approval
Write-off	0.5	Write off fixed assets as a result of the 2014-15 year-end fixed asset verification process	Approval obtained 10 th July
Capital project	15.7	Change in scope of Roath and Rhymney flood risk management project	Currently awaiting WG approval

Risks

15. As discussed in point 10, we currently anticipate that we will look to carry forward capital funding to 2016-17. Otherwise we are forecasting a balanced full year outturn.
16. We are actively managing a number of financial risks and issues, but are confident that we will return a balanced outturn for the year. Some of the key issues are:
- We are working with ex-parent bodies, Environment Agency and Forestry Commission GB (FCGB), to manage exits from transitional services that we receive from them. This includes ongoing discussions with FCGB on how we can reduce and remove the residual costs from services that we exit both this year and next
 - The ICT transformation programme is operating to very tight deadlines and budget to exit from transitional services, as described above. The work is currently over-programmed but will be managed within budget by the year-end.
 - Timber income is partly dependent on market conditions. We monitor and forecast regularly and are currently confident on hitting year-end targets.
17. We are planning on the basis of reduced funding in future years and are currently working on both tactical and strategic options to ensure that we live within the income we receive.

Financial Implications

18. The paper is all about the finances of NRW in 2015-16. There are no additional financial implications arising beyond the time spent in the financial management of NRW and in the creation of financial reports.

Communications

19. Internal communications are currently focussed on the Success with Less efficiency programme and work that is ongoing on Service Reviews to shape the future NRW.

Equality Impact assessment (EqIA)

20. Not required.

Annex

Annex A – Financial Performance Report for August 2015