

Board Paper

13 July 2017

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| Paper Title | Finance Report |
| Paper Reference: | NRW B B 33.17 |
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| Paper Sponsored By: | Kevin Ingram, Executive Director of Finance and Corporate Services |

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| Purpose of Paper: | Scrutiny and Decision |
| Recommendation: | <p>To scrutinise:</p> <ul style="list-style-type: none"> Financial performance for 2016-17. <p>To note:</p> <ul style="list-style-type: none"> Progress on the production of the Annual Report and Accounts for 2016-17. Welsh Government approvals. <p>To approve</p> <ul style="list-style-type: none"> Revision to the 2017-18 Budget, through the creation of a Quarter 1 Revised Budget. |

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| 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: Involving a <u>diversity</u> of the population: Working in a <u>collaborative</u> way: Preventing issues from occurring: This paper highlights actions being undertaken to mitigate reductions to our future funding.</p> |
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Issue

1. This paper provides an update on the year-end performance position for 2016-17.
2. The Audit, Risk and Assurance Committee (ARAC) met in June to consider the Draft Annual Report and Accounts for 2016-17. Work is continuing to timescale and ARAC will re-convene on the 14 July to consider the final version of the report and accounts following the conclusion of the audit by Wales Audit Office (WAO).
3. We review our budgets on a quarterly basis. This paper seeks formal agreement of the Quarter 1 Revised Budget which covers amendments arising from the confirmation of the 2016-17 carry forward position and allocation of funding to our highest priorities.

Background

4. At the Board meeting on 25 May, we set out the indicative financial position for 2016-17 whilst we were still finalising the end of year position. We reported income of £199.5m and expenditure of £172.2m. We can report that the final position is income of £200.0m and expenditure of £172.2m.

The 2016-17 results demonstrate a strong financial performance by NRW. We have exceeded our Income targets and managed our expenditure within budget while delivering our Business Plan. This has enabled us to carry forward funding to 2017-18 to help meet our future funding challenges.

Assessment

Financial Performance Update for 2016-17

5. The year-end position was as follows:

Income was £200m, which was £15.5m more than our Revised Budget.

- This is primarily due to additional Grant in Aid received in March 2017 (£14.6m) to fund pressures in 2017-18, together with an over achievement of our Income targets (£0.9m).

Expenditure was £5.2m less than the Revised Budget this includes:

- delay in implementation of Job Evaluation
- change in expenditure profiles for ring fenced externally funded projects
- reduction in anticipated expenditure due to active spend management

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- We made a payment to the Local Government Pension Scheme Fund of £1.4m in March towards the pension deficit

Therefore, more funding is available in 2017-18 because of the budgetary performance and additional Grant in Aid in 2016-17. The total carry forward is within the carry forward limits agreed with Welsh Government.

We also achieved an excellent set of compliance results (supplier payment performance and debt recovery) in March.

The overall financial position is summarised below:

| Year End Position - 2016-17 | Income £m | Expenditure £m | Balance £m |
|---|----------------------|---------------------------|-----------------------|
| Revised Budget at February 2017 | 184.5 | 177.4 | 7.1 |
| Additional Grant in Aid from Welsh Government | 14.6 | | 14.6 |
| Additional Income | 0.9 | | 0.9 |
| Directorate underspend at year end | | -2.2 | 2.2 |
| Payment to Pension Fund | | 1.4 | -1.4 |
| Changes in project expenditure profiles | | -1.7 | 1.7 |
| Job Evaluation | | -2.7 | 2.7 |
| Year End Position | 200.0 | 172.2 | 27.8 |

Annex A provides more detail of the year-end financial position for 2016-17.

2016-17 Annual Report and Accounts production

6. We are proceeding to plan on the production of the Annual Report and Accounts for 2016-17. At the time of writing this report WAO are progressing with the financial audit. The draft Annual Report and Accounts were presented to ARAC on 16 June, which followed a more detailed session looking at the draft accounts with Committee members. ARAC will meet again on the 14 July when it considers making the recommendation to the Accounting Officer that he can sign the Annual Report and Accounts.

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Budget Update for 2017-18

7. Since the Board approved the Opening Budget and Business Plan for 2017-18 there have been several changes that need to be incorporated into a Revised Budget. Executive Team have met in May to agree those changes, incorporating the revised carry forward position. The changes are highlighted in Annex B and result in a balanced budget position with Income and Expenditure of £188.4m.
8. **In-year financial performance** - at the end of May 2017, our income was ahead of budget to date (£52.4m) by £0.2m (0.4%). Our expenditure was behind budget to date (£25.5m) by £3.2m (12.7 %). It is early in the financial year and there is no cause for concern in the financial performance to date.

Welsh Government Approvals

9. Welsh Government approvals since March Board meeting.

| Item | Value | Description | Approval |
|---|-----------|--|-------------------------------|
| Special Severance Payment | 30,000 | Severance payment below WG framework document threshold referred to WG in line with MWPM | Approval obtained 17 May 2017 |
| Bont Evans Tree Works and Stabilisation (BETWS) project | 3,998,000 | Project to harvest mature trees that present an immediate risk of wind-blow where there is a high potential for loss of life and significant economic disruption from closure of the A487. | Currently waiting WG approval |
| Compensation Payment in advance | 20,000 | Advance payment in full and final settlement of all claims relating to loss of trading revenues arising from the period of works at St Asaph Livestock Market. | Pending Approval |

Recommendation

10. The Board is asked:
- To scrutinise the financial performance for 2016-17.
 - To note progress on the production of the Annual Report and Accounts for 2016-17.
 - To approve the revision to the 2017-18 Budget, through the creation of a Quarter 1 Revised Budget.

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- To note Welsh Government approvals.

Key Risks

11. The audit of the Annual Report and Accounts is proceeding well but still not complete. We don't expect there to be any material change to the position outlined in this report.
12. There remains the risk of qualified Annual Report and Accounts for 2016-17 due to the ongoing long term contract issue.
13. The main financial risks looking forward are:
 - Outcome of Job Evaluation Scheme/appeals.
 - Outcome of the Grant in Aid settlement for 2018-19 for which we have forecast a 5% reduction in our forward planning.
 - The implementation of Organisation Design.

Financial Implications

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

Equality impact assessment (EqIA)

15. None Required.

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Annex A – Financial Performance Report for 2016-17.

Annex B – Budget Update for 2017-18.