

8th December 2016

Paper Title	Finance Report – Update FY 2016-17
Paper Reference:	NRW B B 70.16
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Purpose of Paper:	Scrutiny
Recommendation:	To scrutinise the financial position for 2016-17 as at 31 October 2016; To endorse the changes to the 2016-17 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 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 reductions to our future funding</p>
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Issue

1. We are now more than half way through the 2016-17 financial year. This report provides the Board with an update on the latest financial position as at 31 October 2016.
2. The Executive Team has agreed revisions to this year's budget as a result of the Mid-Year Review. This report provides a summary of those changes and asks the Board to endorse them.
3. There have been no items sent to Welsh Government for financial approval since the last Board meeting.

Background

4. Our budgeting principles set out that the Board will approve the annual Business Plan and Budget prior to the start of a Financial Year and that in year changes to the Budget will be kept to a minimum. Revised Budgets will be issued no more than three times during the year: at Quarter 1, Mid-Year (Quarter 2) and Quarter 3. A copy of the principles have been shared with the Board previously.
5. The Revised Budget as a result of the Mid-Year Review was approved by our Executive Team on the 5 October 2016.

Assessment

Changes to 2016-17 Budget

6. The results of the Mid-Year Review are summarised in the table below:

Mid-Year Review	Income	Expenditure	In Year Balance	Carry Forward 2017-18
Revised Budget as at Quarter 1	182.7	182.7	0.0	0.0
1 - Expenditure Review	0.0	-2.1	2.1	0.0
2 - Income Review	0.8	0.5	0.3	0.0
3 - Changes in ring fenced Income	3.2	3.1	0.0	0.1
4 - Reinvestment	0.0	1.1	-1.1	0.0
5 - Balance to Increase contingency	0.0	1.3	-1.3	0.0
Proposed Revised Budget	186.7	186.6	0.0	0.1

7. The main outcomes of the review were:
 - Total income has increased from £182.7m to £186.7m whilst expenditure has been revised to £186.6m. The £0.1m balance will be carried forward to 2017-18 for ring fenced Welsh Government projects.
 - A review of expenditure budgets identified an overall reduction of £2.1m. This was mainly due to a reduction in the cost of our Service Level Agreement with the

Environment Agency, and staff cost savings (partly as a result of the Voluntary Exit Scheme).

- A review of income budgets has identified an overall (net) increase of £0.3m. The main changes are an increase in timber income net of additional cost of sales (£0.5m) and a decrease in rallies income (£0.3m). The decrease in rallies income has resulted from a number of factors including the negotiation of the agreed mileage rate for 2016, less rallies on NRW land and Motor Sports Association beginning to contract more of the road repair work themselves.
- Funding has increased by £3.2m this year to be utilised on specific programmes of work as a result of additional Grant in Aid, contributions towards capital schemes and the utilisation of Environmental Improvement Unit Charge income which we have collected over a number of years.
- Executive Team considered a number of proposals to re-invest the funding. The main items were the provision for a liability for ICT licence costs (£0.6m) and the reversal of an expenditure efficiency target placed on the commercial team that they could not meet without impacting on our income levels (£0.4m).
- As a result we were able to increase our contingency budget by £1.3m.
- No significant changes to the capital budgetary position although we have held positive discussions with WG about additional Grant in Aid in this financial year to reduce the level of over-programming in the Flood Capital Programme.

Year to Date Financial Report

8. A summary of the financial performance as at the end of October 2016, can be found at **Annex A**. This is measured against the revised budgets agreed by the Executive Team in the Mid-Year review.
9. The overall financial position at the end of October is positive. Income remains ahead of the Revised Budget. Expenditure is tracking behind profile which is not unusual for this time in the year.
10. Income is ahead of profile by 0.3% (or £0.3m). We expect charges income to be in line with Budget and our commercial income is keeping pace with the profile agreed as part of the revision to the budget.
11. Expenditure is 3.7% (or £3.9m) below profile. Expenditure is below Budget mainly due to timing and opportunities to make further savings this financial year. A lot of the timing impact is in respect to the new legislation and responsibility priorities for which we only received notification of additional funding from Welsh Government in March 2016. We have asked Directorates to focus on those budgets during this quarter.
12. We are undertaking a lighter touch review of progress against Budget during December and January, the results of which will be reported to the Executive Team in February 2017 and then the Board meeting in March.

Recommendations

13. To scrutinise the financial position for 2016-17 as at 31 October 2016.
14. To endorse the changes agreed by Executive Team to the 2016-17 Revised Budget.

Key Risks (and Opportunities)

15. All risks and opportunities that we are aware of are listed in **Annex A**. The Job Evaluation process is reaching a conclusion and at this stage we are comfortable that we have enough contingency to cover any financial implications in the current financial year.

Financial Implications

16. The paper is about the financial position and performance of NRW. There are no additional financial implications arising other than the time spent in the financial management of NRW and in the creation of this report.

Equality Impact assessment (EqIA)

17. Not required.

Annex

Annex A – Financial Performance Report for October 2016