

Board Paper

12 July 2018

Paper Title	Finance Report
Paper Reference:	To be added by secretariat
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Paper Presented By:	Rob Bell, Head of Finance
Paper Sponsored By:	Kevin Ingram, Executive Director of Finance and Corporate Services

Purpose of Paper:	Scrutiny and Approval
Recommendation:	<p>Approve:</p> <ul style="list-style-type: none"> Revisions to the Budget for 2018-19 in Quarter 1. <p>Scrutinise:</p> <ul style="list-style-type: none"> Financial performance for 2018-19. <p>Note:</p> <ul style="list-style-type: none"> Items sent to Welsh Government for approval since the last Board meeting. Progress on the completion of the Annual Report and Accounts for 2017-18.

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>
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	<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 future financial pressures.</p>
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Issue

1. We reported to the last Board meeting the financial position for 2017-18 but it was not yet finalised and that any changes to that position would be reported to the Board in July.
2. This report outlines changes to Budgets in Quarter 1 of 2018-19 which were endorsed by Executive Team on 22 May 2018.
3. The report also includes results to end of May 2018. It should be noted that we are in the process of updating all budget profiles by end of June so financial performance has been measured in some parts against profiles that require updating.

Summary

4. The Audit and Risk Assurance Committee (ARAC) have fed back comments on the draft Annual Report and Accounts for 2017-18 at their meeting on 7 June 2018. The audit is scheduled to complete by end of June 2018, the final version of the Report considered by ARAC on 13 July 2018, before being submitted to the Auditor General for Wales. A copy will be circulated to the Board for comment before the next ARAC meeting.
5. The latest update on the financial outturn for 2017-18 means that we have £0.3m less funding being carried forward from 2017-18 to 2018-19. That's 0.2% of total expenditure.
6. The results of the review into budget performance has been reported to Executive Team and will be reviewed by ARAC on 13 July. An update will be provided to the Board in September.
7. Executive Team considered the latest funding position for 2018-19 along with further unfunded proposals. The latest funding position sees our available funding increase from £197.3m to £220.3m. The main reasons for the increase is the improving timber market (£7.3m) and additional Flood capital Grant in Aid (£2.9m).

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8. At the end of May, our income was £43.8m compared to a budget to date of £43.6m and our expenditure was £23m compared to £23.1m. The profile of expenditure increases significantly from July 2018 onwards. Budget and Project Managers are currently refining profiles.
9. Financial Performance in this report is measured against the Revised Budget endorsed by Executive Team in May 2018.

Assessment

Budget Changes – Quarter 1

10. Changes to Budgets because of the financial position in 2017-18 are summarised in Annex A. Changes to the Budget in Quarter 1 are summarised in Annexes B and C.
11. The table below shows how the funding and budget position has changed.

*all figures in
£000*

Changes in Funding and Budgets	Income	Expenditure	Net
Original Budget	197.3	197.3	0
Impact of Financial Year 2017-18 underspends and additional income	5.1		5.1
Funding carried forward from 2017-18 for specific programmes and projects (Annex A)	5.1	5.1	0
Quarter 1 Funding and Budget changes (Annex B)	12.8	1	11.8
Quarter 1 Unfunded Pressures approved by Executive Team (Annex C)		6.7	-6.7
Contingency increased for unallocated funding		10.2	-10.2
Total	220.3	220.3	0

12. Our income for 2018-19 has increased from £197.3m to £220.3m. The main funding changes are in Quarter 1 and are in respect of additional timber income forecasted (£7.3m) and Grant in Aid for our Flood Capital Programme (£2.7m). All the funding in Annex A (£5.1m) and some of the funding in Annex B (£1m) is committed to specific programmes or projects. The remainder of the funding is to be allocated.
13. Executive Team considered and approved bids totalling £6.7m (Annex C) – mainly funded from Grant in Aid and timber sales.
14. We already had £3m funding to be allocated within our original budget. In addition, we now have a further £10.2m available for allocation, a total of £13.2m. This is mainly the

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impact of timber sales – over £7m. We will be implementing the recommendations from the response to the UKWAS Audit (Land Management Service Plan) and that will use some of that funding (the allocation in this financial year will be assessed in Quarter 2).

15. Executive Team will consider further strategies to utilise this funding in July but also explore the opportunity to carry forward funding to help alleviate financial challenges in 2019-20 and beyond.

Financial Performance – May 2018

16. Total income was £43.8m, which was £0.2m more than our Revised Budget. Income is performing to profile which includes the additional timber income forecast of £7.3m.
17. Expenditure was £0.1m less than budget to date. Budget and Project Managers have to 22 June 2018 to provide updated profiles. Future months show significant increases in budget profile which will be challenging and will need good financial management by budget managers.
18. Further detail on year end performance can be found in Annex D.

Welsh Government Financial Approvals

19. The table below shows the approvals referred to Welsh Government since the last Board

Item	Value	Description	Approval
Long Term Contracts - Transitional arrangements	-	Approval sought regarding the continuation of transitional arrangements in relation to their novel, contentious and repercussive nature	Pending
Lease agreement - Ty Cambria office	£3,847,500	Lease extension for 10 years for the Ty Cambria Office, Cardiff	item brought to the attention of WG for information purposes only in accordance with our framework document
Reservoir Compliance Programme 2018-19	£3,800,000	Approval sought to commence a programme of capital works on 22 reservoirs. The Capital Programme proposed is required to comply with the statutory duty imposed by the Reservoirs Act 1975. Specifically measures to be taken in the interest of safety.	Pending

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Board Approval

20. The Board at its last meeting gave delegated authority to a Sub Group to review and approve the plant contract with the Head of Procurement. The Sub Group should convene before the next Board meeting and a verbal update will be provided at the meeting.

Recommendation(s)

21. That the Board is asked to:

Approve:

- Revisions to the Budget for 2018-19 in Quarter 1.

Scrutinise:

- Financial performance for 2018-19.

Note:

- Items sent to Welsh Government for approval since the last Board meeting.
- Progress on the completion of the Annual Report and Accounts for 2017-18.

Key Risks

21. Last financial year we underspent and early indications are that we will find it challenging to utilise our budget within this financial year in several key areas.

Financial Implications

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

Equality impact assessment (EqIA)

24. None Required.



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Annexes

- Annex A Impact of Financial Year 2017-18 Outturn on 2018-19 Budgets
- Annex B Quarter 1 2018-19 Budget changes
- Annex C Unfunded Pressures agreed by Executive Team for 2018-19
- Annex D Financial Performance to May 2018

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Annex A – Budgets Carried Forward from 2017-18

Budget	Value £000
Capital Commitments	
Water Resources Capital Programme	611
Flood Capital Programme	502
Metal Mines	447
Environmental Quality Standards Directive Laboratory Equipment purchase	430
Reservoir Compliance	272
Marine ICT Developments	200
BETWS Tree Clearance scheme	121
13 other projects (detail available if required)	517
Total	3,300
Revenue Commitments (funded by WG)	
Embedding Sustainable Management of Natural Resources	366
<i>P. ramorum</i>	182
Reservoir Compliance	95
Wales Coastal Path	84
Nitrate Vulnerable Zone compliance	80
Carbon Positive	75
Flytipping Action Wales	73
11 other projects (detail available if required)	320
Total	1,275
Other Revenue Commitments	
Organisation Design	196
FCGB Residuals	169
Dee Alternative Mitigation	91
Wales Raised Bogs	78
7 other projects (detail available if required)	200
Total	734
Grand Total	5,108

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Annex B – Budget Changes – Quarter 1 2018-19

All figures £000

Budget	Income	Expenditure	Net
Changes to Income Budget			
Commercial and Other Income - Timber Income	7,300		7,300
Commercial and Other Income - Other Income streams	570		570
Accommodation Strategy	346		346
Charge Income - EPR	190		190
Charge Income - Other (mainly marine licensing)	-617		-617
Charge Income - Water Resources	-116		-116
Other Changes	-48		-48
Total	7,625		7,625
Changes to Expenditure Budget			
Local Government Pension Scheme contribution		-3,700	3,700
Service Level Agreements (with Legacy Bodies)		64	-64
Fleet and vehicle lease costs		-307	307
Charges Activity Balances		-192	192
Accommodation Strategy		-200	200
Metal Mines		-100	100
Invest to Save Energy Efficiency Scheme		62	-62
Swansea Laboratory move - additional investment		132	-132
Penyfai running costs until sold		50	-50
Other Changes		-26	26
Total		-4,217	4,217
Income & Expenditure Changes			
Flood Capital	2,660	2,660	0
Contaminated Land - Frongoch Schemes and Cwm Rheidol	203	203	0
POCA - Nantyglo Clear Up	112	112	0
Fish Funds - Merthyr Vale	150	150	0
Fish Funds - Taff Alt Mitigation	55	55	0
Rural Development Plan - Glastir	512	512	0
LIFE Welsh Raised Bogs	567	530	37
LIFE Marches Mosses	44	58	-14
Coed y Brenin - increase sales and cost of sales	88	110	-22
Nant Yr Arian - increase sales and cost of sales	38	40	-2
Energy Delivery - Option Fees	269	269	0
Wylfa	384	384	0
DCF Externally funded project	28	34	-6
Other Changes	53	51	2
Total	5,164	5,169	-5
Grand Total	12,789	952	11,837

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Annex C –Unfunded Pressures agreed

Budget	Value £000
General Operational Pressures	
Evidence Priorities	526
MyNRW Contractual update	31
Operations South - small projects	50
Operations North and Mid - small projects	120
Merthyr Weir	150
Signage on NRW land	80
Digital Strategy	100
Microsoft elastic pool data bases/processing/storage areas	50
Rockets – Laboratory equipment	70
River Restoration Plans	140
New Ways of Working: Management Information & Reporting	45
Delivery of our Tone of Voice programme	40
Fleet Road Trailers	50
Fleet Telematics	132
Buckley Car Park	40
Buckley Stores Roof	31
Dyfi Biosphere	81
National Nature Reserves	300
Bwlch Nant yr Arian Decking	45
Renewal of collapsing wall near to Hafod Office	42
Delivering Customer Focus	270
Well Being for Future Generations Act (Public Service Boards)	150
NRWS Asset Replacement	290
Sustainable Urban Drainage Systems	50
Strategic Environmental Scoping report for Water Framework Directive	10
National Survey analysis	12
ICT Specific Pressures	
ICT Development and Innovation - additional funding for Programme	1,039
Regulatory ICT improvements	230
Windows 10 Upgrade - hardware	300
ICT Business as Usual Bids - Various	214
Forestry related Pressures – funded by Timber Sales	
Forest Infrastructure	2,000
ICT - Timber Marketing Package	100
Grand Total	6,788