

Board Paper

17 May 2018

Paper Title	End of Year Finance Report
Paper Reference:	NRW B B 19.18
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Paper Presented By:	Kevin Ingram, Executive Director of Finance and Corporate Services
Paper Sponsored By:	Kevin Ingram, Executive Director of Finance and Corporate Services

Purpose of Paper:	Scrutiny and Approval
Recommendation:	<p>Scrutinize:</p> <ul style="list-style-type: none"> Financial performance for 2017-18. <p>Approve:</p> <ul style="list-style-type: none"> Procurement contract (value over £5m). <p>Note:</p> <ul style="list-style-type: none"> Items sent to Welsh Government for approval since the last Board meeting. Changes to the Opening Budget for 2018-19 following the confirmation of additional funding from Welsh Government.

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 approach</u>:</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 are compiling our Annual Report and Accounts for 2017-18 and we will not know the final position until after that has been completed and audited. The audit is scheduled to complete by end of June 2018.
2. This report outlines the results as at 24 April 2018, so the results are subject to change but not significantly so.
3. At the Board meeting in March 2018, we agreed to undertake a detailed analysis of variances from the Budget in 2017-18 and that we would report the outcomes and lessons learnt to Audit and Risk Assurance Committee (ARAC) in June.
4. Therefore, the Board are asked to scrutinize and comment on financial performance for 2017-18, subject to that more detailed review.
5. Any significant changes to the financial position will be reported to the Board in July and we will also update the Board with the outcome of the review undertaken by ARAC.

Summary

6. Income totalled £211m and Expenditure totalled £176.3m. Therefore, we have total funds of £34.7m which will be carried-forward into 2018-19. We have had approval from Welsh Government to increase our carry forward to 22% to accommodate the carry forward.
7. We have that level of carry forward because:
 - Welsh Government have provided us with additional funding in March to carry forward;
 - We have received other funding from Welsh Government in 2017-18 on the understanding that it would not be spent until 2018-19;
 - Other projects where we have received specific funding (from WG or other sources) which our profile of spend has extended into next financial year. Some

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- of these are significant items of work where there is no option to substitute for other items.
- Other areas of expenditure where for a variety of reasons we have not spent the budget.
 - We have more commercial income than we budgeted for, specifically in relation to timber income.
8. Annex 1 and the assessment section of this report provides further explanations for these differences.
 9. Details of financial approvals by Welsh Government are also included as well as a request for approval of a contract with a value of over £5m. This is a new delegated authority attributed to the Board as a result of the implementation of actions arising from the Public Accounts Committee review.
 10. Included at Annex 2 is the final Opening Budget for 2018-19 following the confirmation of additional funding from Welsh Government which the Board delegated approval to the Chief Executive. Delegation letters and Budgets have been distributed to Directors and Budget Managers.

Assessment

Financial Performance

11. Financial Performance in this report is measured against the budget approved by Executive Team and the Board in January 2018. We updated Executive Team and the Board in March on the latest forecast to year end.
12. Total income was £211m, which was £18.6m more than our Revised Budget. This is primarily due to additional Grant in Aid received for 2018-19 (£13.4m) and for 2017-18 (£1.9m) and an increase in Commercial income (£3.3m) mainly due to timber sales as a result of favourable market conditions (£2.6m).
13. Expenditure was £5m less than budget. We took the opportunity to make a payment to the Local Government Pension Scheme Fund of £5.7m. This will be deducted from payments in 2018-19 (£3.7m) and 2019-20 (£2.0m). Budgets for those years will be amended accordingly.
14. Further detail on year end performance can be found in Annex 1.
15. The Table below summarises the changes in income and expenditure since the position approved by the Board in January.

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Year End Position - 2017-18	Income £m	Expenditure £m	Balance £m
Revised Budget at January 2018	192.4	181.4	11.0
Additional Grant in Aid from Welsh Government	15.3		15.3
Additional Income	3.3		3.3
Directorate underspend at year end		-7.0	7.0
Changes in project delivery plans		-3.8	3.8
Payment to Pension Fund		5.7	-5.7
Year End Position	211.0	176.3	34.7

Carry Forward for 2018-19

16. We will carry forward £34.7m from 2017-18 into 2018-19, and is categorised as follows:

- **General** - £12.1m, which is the net variance in income and expenditure which is available for re-prioritisation. Some of this has already been allocated in 2017-18 Opening Budget. In addition, we will not have to pay £3.7m for pensions contributions in 2018-19, and this was paid in 2017-18. So, in effect, that will be in addition to the £12.1m and available for re-prioritisation.
- **Specific - Additional Grant in Aid** - £13.4m, which is where we are carrying forward additional Grant in Aid provided by Welsh Government for expenditure in 2018-19. This has been incorporated into the Opening Budget and the breakdown is included in Annex 2.
- **Specific – Other** - £9.2m - which is where we are carrying forward funding for specific items where profile of expenditure plans has moved into 2018-19. This largely relates to Welsh Government funded specific projects such as Metal Mine remediation, Embedding Sustainable Management of Natural Resources, Evans Bridge Tree stabilisation, Reservoir Compliance, Wales Coastal Path.

Welsh Government Financial Approvals

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

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Item	Value	Description	Approval
Reservoir Compliance Capital Programme (RCCP)	-	To begin 2018-19 programme using 2017-18 funds before 2018-19 programme has received approval. This programme is to meet the Measures in the Interest of Safety deadlines. The 2018-19 programme of works is due to follow our standard governance route which will be scrutinised by our project assurance board before going to the Chief Executive and the Board.	WG approval obtained 16/04/2018
Charging a commercial rate	-	Advice sought on NRW's ability to charge a commercial rate – where it isn't clear in Managing Welsh Public Money.	Pending
Long Term Contracts transitional arrangements	-	Approval sought regarding the transitional arrangements in relation to their novel, contentious and repercussive nature	Pending

Board Approval

18. There is a specific action arising out of the Long-Term Contract Public Accounts Committee report where we have stated that significant expenditure (>£5m) contracts will be referred to the Board. As a result, we are asking the Board to approve us to progress with this procurement exercise.

The contract is for the Supply of Plants over a 9-year period with an estimated value of £9m. This contract will be funded from the Operations North and Mid Wales budget and will be openly and competitively tendered in line with Public Contract Regulations.

We are content that this complies with State aid rules and complies with procurement regulations. This contract is not deemed to be potentially novel, contentious or repercussive.

In line with our Contracting our Money policies this contract has already received staff approval.

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As this is the first contract we are referring to the Board for approval, we request the Board to consider whether the text provided above is enough detail for you to reach a decision upon.

Recommendation(s)

19. That the Board is asked to:

Scrutinize:

- Financial performance for 2017-18.

Approve:

- Procurement contract (value over £5m).

Note:

- Items sent to Welsh Government for approval since the last Board meeting.
- Changes to the Opening Budget 2018-19 following the confirmation of additional funding from Welsh Government.

Key Risks

20. As explained above, we are still in the process of finalising the year end position and it is subject to external audit. We don't expect there to be any other significant changes to the position outlined in the paper. Should any change arise, this will impact on the carried forward position.
21. How we communicate this position to staff and stakeholders is very sensitive given the financial challenges we face with our baseline funding reducing and that informing our Organisation Design for 2019-20.

Financial Implications

22. 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)

23. None Required.

Annexes

- Annex 1 Year End Performance Report
- Annex 2 Opening Budget 2018-19