

## Natural Resources Wales Audit and Risk Assurance Committee

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<b>Paper Title</b>	<b>NRW Budget for 2013/14</b>
<b>Paper Reference:</b>	A (5) (02-13) E
<b>Paper Prepared By:</b>	Kevin Ingram

<b>Purpose of Paper:</b>	<b>Discussion / To note</b>
<b>Recommendation:</b>	The Committee is asked to note the overview and comment on the analysis and next steps.

<b>Impact:</b> To note – all headings might not be applicable to the topic	<b>Agreeing a budget for 2013/14 will have impacts for the environment, the economy, communities and on Knowledge:</b>
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## **Issue**

1. The Living Wales Programme has been working to develop a Year 1 Operational Plan for NRW. This plan will include the 2013/14 budget along with the plans and programmes that will be implemented during the year. This paper focuses on providing the Committee with a high-level progress update of the budget element of the plan.

## **Background**

2. A Budget Paper was presented to the NRW Board meeting in January. This showed a deficit of £12.3m, before utilisation of reserves. This was based on 'business as usual' returns from CCW, EAW and FCW and Year 1 'adjustments' from Living Wales workstream leads.
3. Next steps were discussed on moving to a more balanced position. The Board indicated that an opening budget with a level of over-programming of 2-3% may be acceptable at the start of the financial year, so long as a plan to manage this is established.

## **Analysis**

4. The following **progress** has been made since the Board meeting:
  - a) WG officials have confirmed baseline GiA for 2013/14. Departmental budgets are being closely monitored for opportunities to ensure that all Living Wales Programme costs, including EA transitional ICT costs, are funded this year.
  - b) Legacy Bodies (CCW, EAW and FCW) have further refined their 'business as usual' returns, which has resulted in a headcount reduction of 32 fte's (full time equivalents). The three bodies have also produced 'flexibility' statements which have identified £2.5m of expenditure reductions, and which detail the consequences of making these changes.
  - c) There were skills gaps identified with the continued level of service and function transfer from EA. The business critical element of this gap has been reduced from 89 to 26 fte's.
  - d) There are currently 35 services that are being requested from the EA either on a transitional or long-term basis. The costs of these services increased from £13m to £15.1m. The costing models have now been received for all 'signed-off' services and scrutiny has, so far, resulted in a reduction to £13.7m. This is an ongoing process that should be completed by the end of February.
  - e) The Living Wales workstreams have further refined their budget submissions. The main area that requires clarification is ICT - the NRW CIO is currently performed a detailed review.

- f) An Invest to Save business case has been submitted to WG to fund a £5m targeted voluntary release scheme in 2013/14. NRW Directors have been scrutinised by WG officials on this business case and the outcome will be known in early March.
- g) The NRW structures have become further refined since the first budget submissions. The main impact to the budget has been the addition of the Transition Team structure (17 fte's), which is critical to the transition and benefits realisation of NRW over the first 2 years.
- h) Agreement has been reached with HMT over the reduction in GiA (£1.2m pa) that will result from the Section 33 VAT status which will benefit NRW from increased VAT recoverable.

5. The following **pressures and risks** have been identified:

- a) FCW have identified a potential pressure regarding tree disease, which could cost up to £1.8m.
- b) CCW and EAW have identified outcomes that they believe should be delivered in 2013/14, but do not currently have funding. For example, EAW Policy leads are in discussions with WG to obtain funding for work on bathing waters, air quality and Water Framework Directive priorities.
- c) NRW employer pension contributions to the EA Pension Fund will increase due to NRW membership being on a 'closed basis'. The date when this should start (2013 or 2014) and the amount of the increase has not been finalised.
- d) If there is any slippage in 2012/13 spend by the Living Wales Programme this would impact on next years funding.
- e) With the exception of ICT, the full transition/transformation programme in 2013/14 has not been developed and investment identified.
- f) The business case identified £4m of additional GiA from WG would be required in 2013/14. Currently, £2m has been ring-fenced with a further £1m committed to.

### **Next Steps**

6. The following **next steps** have been agreed as a means of addressing the issues identified:
- a) The due diligence work by the HR workstream on the status of FTEs (permanent, FTAs, secondees etc) needs to be fully factored into this analysis.
  - b) Continued financial analysis to ensure that funding streams are in balance (capital, revenue and charge schemes).

- c) Continued scrutiny and challenge of main items identified under points 4 and 5, above.
- d) WG and legacy bodies to take every opportunity to use any declared underspend to fund pressures.

### **Resource implications**

#### **Financial Implications**

- 8. This paper is designed to highlight the financial and wider implications relevant to the NRW 2013/14 Budget.

#### **Implications for staff**

- 9. Any potential shortfall in budget may impact on staff, primarily through reductions in programme expenditure.

### **Risks**

- 10. The risks of entering Year 1 without a balanced budget depend on the level of shortfall. Measures since the Board meeting have reduced the shortfall and there are further actions still to take. Beginning Year 1 without a balanced budget can be further mitigated in-year, as full profiling has yet to be undertaken.