

# Board Paper

02 October 2014

<b>Paper Title</b>	<b>Finance Update 2014-15</b>
<b>Paper Reference:</b>	<b>NRW B B 65.14</b>
<b>Paper Prepared By:</b>	<b>Rob Bell and Andrea Morgan</b>

<b>Purpose of Paper:</b>	To update the Board on the financial position for 2014-15.
<b>Recommendation:</b>	To note the contents of the paper and endorse the budgets and decisions made by Executive Team.
<b>Decision Required:</b>	Endorse the budget decisions made by Executive Team.

<b>Impact:</b> To note – all headings might not be applicable to the topic	<p><b>Impact on the Environment:</b> Effective use of our income will ensure that scarce resources are focussed on delivering priority outcomes.</p> <p><b>Impact on the Economy:</b> Effective use of our resources ensures we demonstrate value for money to customers that we charge for our service.</p> <p><b>Impact on Community:</b> Effective use of our resources ensures that we maximise the benefits to communities.</p> <p><b>Impact on Knowledge:</b> n/a</p>
--	---

## **Issue**

1. To provide the Board with an update on the financial position to the end of August 2014.

## **Summary**

2. At the last meeting we reported on our latest financial position for 2014-15 which the Board formally approved. The Opening Budget for 2014-15 approved by the Board was a balanced budget for the year.

## **Background**

### **Overall Budget Position for 2014-15**

3. Since the last Board meeting:
  - Discussions have taken place with Welsh Government on our 2014-15 budget position and on the timescale for approval of our Grant in Aid allocation for 2015-16;
  - Directorates have completed a detailed Quarter 1 Forecast exercise;
  - We have incorporated the changes to the Opening Budget that were endorsed by the Board in respect of additional funding from Welsh Government for Invest to Save (£3m), Natural Resource Transition Fund (£1m), and Wales Infrastructure Investment Plan (£3.6m) for investment in the Flood & Coastal Risk Management (FCRM) capital programme.
4. Since the last Board Meeting other budget changes have been identified and approved by our Executive Team.
  - We have additional budgetary pressures amounting to £2.5m. The main items are allocations for staff costs (£0.6m), *P ramorum* restocking (£0.4m), finance leases on fleet vehicles (£0.3m) and corporate signage (£0.2m).
  - These pressures have been offset by additional income, or by savings identified in our existing budgets, amounting to £3.6m. This is made up of additional timber income (£2.5m), funds carried forward from 2013-14 (£0.6m) and savings from Quarter 1 Directorate budgets (£0.5m).
  - As a result, we currently have a £1.1m surplus. There are still two unfunded pressure bids currently being assessed by Executive Team which relate to fleet vehicles and forestry engineering.

5. The unallocated element of the opening capital budget (£0.8m) has been allocated and includes ICT investment (£0.2m), forestry equipment (£0.3m) and laboratory equipment (£0.1m).

### **Financial Performance as at August 2014**

6. A summary of our budget position can be found at Annex A.

Key points are:

- Financial Performance is currently measured against the Revised Budget position as agreed by Executive Team on 2<sup>nd</sup> September.
- Expenditure to end of August was £62.5m compared to a target of £63.5m, an under spend of £1.0m (1.6%). Variances, such as that on the Transition Directorate, are due to timing of spend and are not indicative of an overspend of the full year budget.
- Income (excluding Grant in Aid) is 1.2% ahead of target at end of August, with actual income of £44.3m compared to a target of £43.8m, a variance of £0.5m. This is mainly due to the receipt of Option Fees from developers for Wind Energy projects.
- Supplier payment performance (97%) remains very good and exceeds the Cabinet Office target.

### **Latest Forecast**

7. Directorates are currently undertaking the Quarter 2 Review of their budgets. We are giving priority to reviewing workforce budgets, thus ensuring that we do not exceed our target. The results of this exercise and the impact on the overall financial position will be reported to the Executive Team in October.

### **Risks**

8. There remains a risk that the FCRM capital investment programme will be under spent at the year end. We have agreed with Welsh Government the carry forward of funding for WIIP Projects over the next two years (2014-15 to 2015-16). With these projects dropping out of the capital investment programme, we are looking to introduce new projects which will increase our level of over-programming. This is of great importance, as a significant part of the capital programme is due to be undertaken over the second half of the year.

### **Financial Implications**

9. The paper is designed to highlight the financial implications to Natural Resources Wales for 2014-15.

## **Communications**

10. Communications of the issues contained within this report have been reported to the Executive Team during August, and in more detail to individual Directorate teams.
11. We are currently on track to introduce a new Finance and HR system on 1 December 2014, replacing our three legacy systems. There is a significant training and communication plan in place to ensure that the implementation is successful.

## **Equality impact assessment (EqIA)**

12. Not applicable.

## **Annex**

Annex A – Budget Management Report August 2014