Cyfoeth Naturiol Cymru
Natural Resources Wales

Natural Resources Wales

Board Meeting

16th October 2013

Paper Title	**Finance Update – August 2013**
Paper Reference:	NRW B (O) 42.13 (Oct 13)
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Purpose of Paper:	To provide the Board with an update on the financial position for 2013/14.
Recommendation:	To note the contents of the paper
Decision Required:	N/A

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

Issue

1. To provide the Board with an update on financial performance to the end of August 2013.

Background

2. At the last meeting we reported that we had been able to successfully manage our deficit down from an opening position of £3.5m to a near balanced position. However, we have made a commitment to fund work on *Phytophthora ramorum in* this financial year of £2.3m, which resulted in a revised deficit position of £2.4m.

3. A bid had been submitted to Welsh Government for funding for *Phytophthora ramorum* which if successful would reduce the deficit position to £0.4m.

4. We reported to the Executive Team on 13th August the results of the Quarter 1 Budget Review undertaken within Directorates. This position was approved by Executive Team and the figures contained in this report are based on this revised position.

5. The Annual Accounts for 2012/13 for the Environment Agency, Countryside Council for Wales and the Forestry Commission Wales have been published on the Natural Resources Wales website. We have also received Management Letters for Countryside Council for Wales and the Forestry Commission which have been considered by ARAC.

Proposals and Next Steps

Financial Performance as at August 2013

6. A copy of the latest Performance Report for August is included at Annex 1.

   The key points for the August report are:

   - Financial Performance is now measured against the revised budget allocation and profiles approved by Executive Team on 13th August.

   - Expenditure to end of August was £66.8m against a budget to date of £67.6m, representing an under spend of 1.2%. Whist staff costs are on track the main reason for the variance is due to timing of work against project plans; 5.3% on revenue projects and 3.7% on capital projects.

   - Income (excluding Grant in Aid) is slightly below profile, with actual income of £42.3m against a £42.6m budget, a variance of £0.3m or 0.6%. The two main areas of variance are: Harvesting and Marketing income which is currently £0.6m behind profile although the overall forecast for Timber and Marketing income suggests that annual income remains on target, we continue to closely monitor this position as predictions can still fluctuate as trading conditions and indeed weather conditions change. Charge income is also slightly ahead of planned profile to end August.

   - Good compliance statistics have been maintained. Technical debt is remains low and 30 day supplier payment performance (93%) is within the Cabinet Office target.

Budget Position 2013/14

7. Welsh Government has confirmed an additional £1.5m funding for the FCRM Capital Investment Programme. This enables us to increase our investment in the programme this financial year and deliver it within our financial target at the end of the financial year.

8. The Minister will be considering our unfunded pressure bid for *Phytophthora ramorum.* A revision of the financial case has been submitted to Welsh Government. If this bid is successful, the deficit will reduce by £2.0m. If unsuccessful, Executive Team will need to decide whether to agree to extend the project budget to the £3.5m required to cover planned expenditure in this financial year, and to determine how this will be funded.

9. We are maintaining a live pipeline of prioritised bids from Directorates for additional funding for this financial year. These currently amount to £1.8m but could increase as we move through the financial year. The Executive Team decision on whether or not these will proceed will depend on us being able to reduce the current deficit either as a result of a successful outcome of the *Phytophthora ramorum* bid or through other means.

Risks

10. Delivering our financial targets and outcomes by the end of the year remains our top priority, and we are confident that we are on track to achieve this. Achieving this target is dependant on our ability to be able to manage the additional unfunded pressures identified in year. Finance continues to work with Directorate Budget Managers to closely monitor and review our financial performance through the year.

Financial Implications

11. The paper is designed to highlight the financial implications to Natural Resources Wales for 2013/14.

Communications

12. Communications of the issues contained within this report have been reported to the Executive Team during September, and in more detail to individual Directorate teams.