

Board Paper

12 February 2014

Paper Title	Finance Update
Paper Reference:	NRW B O 5.14
Paper Sponsored By:	Kevin Ingram, Executive Director Finance and Corporate Services
Paper Prepared By:	Rob Bell, Head of Business Finance

Purpose of Paper:	To provide the Board 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
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Issue

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

Background

2. At the last meeting we reported that our budget deficit position was £3.2m.
3. Since the last meeting we have completed the **Quarter 3 Budget Review** within Directorates. The results of this exercise were reported to Executive Team on 16th December 2013 and they approved the following changes to budgets:
 - A reduction in Directorate budgets of £0.9m relating mainly to savings in non staff costs;
 - Agreed to increase the Forest Engineering programme by £1m in order to meet our civil engineering requirements on access to programmed harvesting work which has been impacted by *P. Ramorum*, and to ensure we collect the income we have budgeted for;
 - Subsequent to the Executive Team meeting we received confirmation from WG that our bid for *P.ramorum* funding (£2.5m) had been approved;

The net impact of these changes is to decrease our budget deficit position to £0.8m. An summary audit trail of budget adjustments this year is at Annex 2.

4. The total additional budget allocated to dealing with *P. Ramorum* this financial year is £4.2m. We have received £2.5m of additional Grant in Aid, and therefore the net impact is £1.7m.
5. At Executive Team we considered a number of additional pressures and our objective to spend less than our budget this year to help next year's pressures, and agreed the following:
 - Other additional pressures identified by National Services, Operational and Finance and Corporate Services Directorates (totalling £0.4m) would have to be funded by finding savings within Directorate budgets.
 - We commissioned an exercise to find further savings to eliminate the deficit and to carry forward funding to next financial year.
6. We also received formal confirmation from WG that we can retain the use of Grant in Aid carried forward from last year.

Proposals and Next Steps

Financial Performance as at December 2013

7. A summary of our budget position can be found at Annex 1.

Key points are:

- Financial Performance is now measured against the revised budget allocation and profiles approved by Executive Team on 16th December.
- Expenditure to end of December is £132.3m compared to a target of £133.7m, an under spend of £1.4m (1.1%). The main reason for the variance is on Projects; Revenue Projects are underspent by £0.7m (5.7%) and Capital Projects by £0.5m (2.4%).
- Income (excluding Grant in Aid) is slightly ahead of target, with actual income of £55.2m compared to a target of £55.0m, a variance of £0.2m (0.3%).
- Payment performance (96%) remains within the Cabinet Office target.

Budget Position to the end of 2013/14

8. We are monitoring the financial implications of the flood events that occurred in December and January. Currently there is only one location where there are significant repair costs (Afon Artro at Llanbedr - £0.5m). Work on completing the required repairs has begun and we are in discussions with WG on how it will be funded. Other repairs to FCRM infrastructure are unlikely to exceed £0.2m.
9. As reported to the last meeting, we had eliminated the over-programming on the FCRM Capital Investment Programme. We will need to incorporate the impact of the December and January floods, as outlined in paragraph 7 above.
10. Work is ongoing in Directorates to find the targeted savings and the impact of that exercise will be considered by the Executive Team in early February.
11. Directorates will be monitoring their budgets closely in the run up to the end of the financial year.

Risks

12. Delivering our financial targets and outcomes by the end of the year remains our top priority. We have targeted further savings this month and will be carefully monitoring the potential impact of these savings.

Financial Implications

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

Communications

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