

Board Paper

14 May 2014

Paper Title	Finance Update 2013-14 and Opening Budget 2014-15
Paper Reference:	NRW B B 40.14
Paper Prepared By:	Rob Bell and Andrea Morgan

Purpose of Paper:	To update the Board on the financial position for 2013-14. To formally agree the revised Opening Budget position for 2014-15
Recommendation:	To note the contents of the paper and approve the Opening Budget for 2014-15.
Decision Required:	Yes

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 for 2013-14
2. To formally agree the revised Opening Budget position for 2014-15.

Summary

3. At the last meeting, we updated the Board that we were aiming to achieve a Budget Surplus in 2013-14 of £1.1m. We have exceeded this target and achieved an actual surplus of £2.1m. We have approval to carry forward this funding into 2014-15 to invest in organisational transformation.

In addition, we have ring-fenced funding for specific programmes of work that will continue into 2014-15. This is for programmes of work such as Coastal Access Improvement, Ecosystem Resilience and Flood & Coastal Risk Management (FCRM) projects. We have approval to carry forward Grant in Aid of £3.4m and European Funding of £0.3m into 2014-15 for these programmes.

4. Welsh Government have also provided additional funding for specific work in 2014-15. This includes funding for storm damage, tackling *P. ramorum*, for ICT transformation and Invest to Save funding for a Voluntary Exit Scheme. This funding is reflected in the revised Opening Budget position for 2014-15.

Background

Financial Performance for 2013-14

5. We are in the process of producing our Annual Report and Accounts for 2013-14 so the figures presented in Annex 2 (financial performance) are still 'draft'. We do not expect the final results to be significantly different to those contained within this report.

More detailed figures and analysis are presented to Executive Team and Directorates on a monthly basis to assist with good financial and budget management.

6. Over the year, we have managed our finances from an Opening Budget deficit position of £3.5m to a closing surplus of £2.1m. We have done this through a process of tight overhead cost and workforce controls, including a Voluntary Exit Scheme.

We have also dealt with the financial cost of plant health issues (*P. ramorum*) and have invested in the initial transformation of Natural Resources Wales into a standalone organisation in areas such as ICT. A summary of how the deficit has been successfully managed is shown at Annex 1.

7. Our total expenditure for the year was £192m. Although this was £4.5m less than Budget, the majority of the underspend was in respect of specific Welsh Government and European funded items (£3.8m) for which funding will be carried forward to next financial year, as per point 2 above.
8. Our total income (non GiA) was £69.4m, which was £0.2m above budget.

In addition, we applied a total of £124.7m Grant in Aid to fund activities during the year.
9. As a result we had a net surplus of £2.1m, compared to the budgeted £1.1m. This will be carried forward to 2014-15.

Financial Year 2014-15

10. The additional funding received from Welsh Government has been incorporated into the Opening Budget position for 2014-15.

A Summary Opening Budget statement is attached at Annex 3, showing a balanced position. The Board is asked to approve this Budget statement.

Next Steps

11. The investment in transforming Natural Resources Wales into a high performing, standalone organisation will continue during 2014-15 and 2015-16. It is for this reason that we have managed our year-end financial position to a surplus to carry forward funding into 2014-15. We will continue to allocate our resources to deliver the Business Case benefits over the coming years.
12. The Annual Report and Accounts are currently being produced. A reconciliation from the Accounts to the final performance figures will be produced for consideration by the Audit and Risk Assurance Committee.
13. Budgets will be formally issued, via Delegation letters, to Executive Directors for 2014-15.

Risks

14. Delivering our financial targets and outcomes for 2014-15 by the end of the year remains our top priority.

Financial Implications

15. The paper is designed to highlight the financial implications to Natural Resources Wales for 2013-14 and 2014-15

Communications

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

Equality impact assessment (EqIA)

17. Not applicable.

Annex

Annex 1 – Audit Trail of Budget Deficit / (Surplus)

Annex 2 – Performance Summary for 2013-14

Annex 3 – Budget Summary for 2014-15