

Minister for Natural Resources

Environment and Sustainability Committee

Thursday 26 March 2015

Financial Scrutiny

1. This annex responds to the Committee's e-mail of 21 January identifying particular financial information it would like to receive in advance.

Changes made within the portfolio as a result of the two Supplementary Budgets 2014-15, compared to the Final Budget 2014-15, to BEL Level

2. There were no budget changes made within Supplementary 1, and the following were actioned as part of Supplementary 2.

Near cash

- £12.981m in year savings returned to reserves as requested by the Finance Minister to support additional investments into the NHS;
- £8.8m resource to capital switch to fund pressures (see breakdown under capital);
- £1m Flood funding brought forward from 2013-14 under the Budget Exchange Mechanism (BEM) to support the re-profiled programmed flood prevention schemes delayed as a result of the emergency flood repairs which were undertaken due to last years winter storms;
- £2.5m Invest to Save (ITS) funding from reserves into the NRW budget for Natural Resources Wales ITS successful bid;
- £2.392m Wind farm Income from NRW to reserves in respect of expected income from wind farm leases;
- £0.167m from clean energy programme to EST in respect of Energy programme resources, which transferred to EST during the last portfolio change in July;
- £0.365m from the Landscape and Outdoor Recreation Action to EST in support of Free Swimming and the Schools Sports programme which transferred to EST during the last portfolio change in July;
- £0.450m from the NRW budget to Central Services and Admin (CS&A) MEG to transfer to Departmental Resource Costs (DRC) to fund Forestry staff who joined WG following the formation of NRW;
- £0.038m from Climate Change Action budget to the CS&A MEG as a contribution to the 'Size of Wales' Africa programme;
- £0.030m from Single Payment Administration budget to CS&A in respect of Land Tribunals, which now resides in their portfolio;
- All the intra MEG transfers were actioned to realign budgets for improved reporting and to fund a number of pressures across the MEG;

Non cash

- £5.706m from reserves to cover increased depreciation costs of NRW's ICT infrastructure system;

- £0.670m from reserves to cover the depreciation costs arising from the implementation of the RPW Online IT system after initial capital investment.

Capital

- £5m Flood funding brought forward from 2013-14 under the Budget Exchange Mechanism (BEM) to support the re-profiled programmed flood prevention schemes delayed as a result of the emergency flood repairs which were undertaken due to last years winter storms;
- £8.8m additional capital from a near cash to capital switch to fund the following pressures:
 - New Farm Entrants: £1.6m (a capital grant with revenue funding)
 - EID Cymru: £0.3m (development funding)
 - CAP Reform: £6.9m (Investment of ICT infrastructure)
- £2.74m from Communities and Tackling Poverty portfolio to part fund Arbed Phase 2 - this is the final year of a three year agreement;
- Various intra MEG transfers to realign budgets and ease pressures across the Meg.

Details of any additional funding provided to NRW in 2014-15 on top of grant-in-aid shown in the Final Budget 2014-15.

- At the start of this financial year (2014/15) NRW planned for a balanced budget of £191.4m. The current forecast is:
 - **Annual income £203.3m** (primarily due to £5m of additional income from Welsh Government for Invest to Save initiatives, Natural Resource Management trials, and additional commercial income).
 - **Annual expenditure £202.2m** (reduced from £202.7m by increased efforts on internal costs.)
 - **Forecast Outturn: £1.1m surplus** at the year end, (plan to carry forward to 2015/16).
- Please see below the individual projects which have received a commitment for additional support. These figures relate to provisions which will be paid in 2014/15. **To note** that there are likely to be additional payments before year end but the exact figures are unknown as yet

Invasive Non Native Species Research (preparation for new legislation)	£138,500
Appraisals for water strategy	£8,000
A465 additional capacity for scheme assessment (EST funded)	£128,700
Glastir Advanced - Water Quality	£470,000
Seascape characteristic assessment	£35,000
Welsh Marine Plan	£40,595
Burry Inlet Cockle Fishery	£75,000
Waste data stream	£138,500
Fly Tipping Action Wales	£185,000
Natural resource management area	£1,000,000

trials	
Nature Fund (Llynfi project)	£627,000
Flood Capital - WEFO Convergence Funding	£190,000
Flood Capital - Wales Infrastructure Investment Plan	£8,150,000
Transfer of IDBs	£296,500

Nature Fund

5. The following table sets out the allocated funding to each of the Nature Fund projects. It also shows the projected payments from the fund to each project and a note on whether payments are in arrears or in advance.

Project Title	Nature Fund Award	Payment to end January 2015	Payment Forecast end March 2015	Projected final payment totals for 2015
Coed Cymru & River Trusts	£658,500	0	£373,600	£284,900
Berwyn & Migneint, Black Mountains and Radnor Upland Recovery Project	£241,800	0	£241,800	0
Natural Buzz - a project to support the Action Plan for Pollinators	£130,000	£108,000	£22,000	0
Cynllun Gwella Dyffryn Elwy Habitat Improvement Project	£180,000	0	£180,000	0
Llyn Partnership Coastal Connectivity	£200,000		£30,000	£170,000
Unwanted vegetation and restoration of peatlands	£132,000		£132,000	0
Long Forest nature funding proposal	£190,000	£121,550	£45,900	£22,550
Peatland Push Cymru - Pumlumon Living Landscape (PLL) – A Payment For Ecosystem Service (PES) Scheme	£59,000	0	£34,356	£24,644
Eastern Valleys Upland Project	£280,000	0	£205,493	£74,507
Pond Connections	£63,000	0	£27,822	£35,178
Castlemartin Peninsula: Integrating Natural and Social Resources	£144,000	0	£71,750	£72,250
Future Fisheries - Living Seas	£62,000	£0	£52,250	£9,750
Pollinators for life project	£282,100	0	£242,920	£39,180
Elenydd Purple Moor Grass Project	£152,000	0	£90,045	£61,955
Ecosystem Enterprise Partnership (EEP) – Ecobank Project	£150,000	0	£150,000	0
Black Mountains Ecosystem Restoration: Linking Peatlands, Heathlands, Rivers and Woodlands	£201,500	0	£188,750	£12,750

Project Title	Nature Fund Award	Payment to end January 2015	Payment Forecast end March 2015	Projected final payment totals for 2015
Manage and benefit from woodland resources in rural Conwy	£125,000	£51,000	£74,000	0
NWM Futurescape programme (Incorporating Lake Vyrnwy, Sustainable Moorland, Developing ecosystem & Farm Advisory Focus)	£241,800	0	£179,711	£62,089
Connectivity work in the Duhonw Catchment	£128,000	0	£128,000	0
Llynfi Valley	£627,000	0	£627,000	0
NRW Transition Fund	£750,000	0	£750,000	0
Total	£4,997,700	£280,550	£3,847,397	£869,753

6. The expenditure and the earmarked budget for the Nature Fund sits with the BEL 2828 in the 1000NRF MEG. Funding to date has been allocated from uncommitted monies from Natural Environment BEL 2825, Flood Risk BEL 2230 (the projects supported by the proposed funding include ones which will utilise natural flood risk management solutions or provide better land management which could reduce the risk of flooding), and Climate Change BEL 2815 (the projects supported by the proposed funding utilise natural measures to mitigate for climate change or add resilience for example carbon sequestration in peatlands, wetland and woodland creation).
7. The final element of the Nature Fund is the provision of £750,00k to NRW to help the organisation with their transition to taking forward integrated Natural Resource Management. The funding will be mainly used to support a number of projects that will be contributing to the three area trials currently taking place in the Dyfi, Rhondda and Tawe catchments to help provide the evidence and learning to inform the transition towards integrated natural resource management.

Flood and Coastal Erosion

8. Over this financial year we will have invested £55.6m into flood risk management. This is broken down as follows:
 - FCERM Capital: £9.8m
 - FCERM Revenue: £27.3m
 - ERDF: £6m
 - WIIP: £12.5m
9. We have invested over £245 million in flood and coastal erosion risk management over the lifetime of this Government. This is supported by almost £50 million from the European Regional Development Fund over a six year period ending in 2015.

Yearly breakdown of FCERM core budget:

Financial Year	Annual Departmental FCERM Budget			Additional Capital Funding Received in Year			Total Funding (FCERM + additional sources)
	Capital	Revenue	Total FCERM Budget	CRC/ WIIP	Divisional Transfers	ERDF	
2011/12	17.0	19.7	36.7	2.2	3.5	15.0	57.4
2012/13	14.7	21.0	35.7	11.0		9.0	55.7
2013/14	14.7	27.4	42.1	14.0		5.0	61.1
2014/15	9.8	27.3	37.1	13.5		7.0	57.6
2015/16	9.8	27.3	37.1	12.5		6.0	55.6
Life of Gov't	66.0	122.7		53.2	3.5	42.0	287.4

Revenue: Natural Resources Wales (NRW) take the majority of the revenue budget with around £19.5m annually. The rest of the revenue budget is split between the LLFA grant, programme staff costs and key priority areas for Flood Programme.

Capital: Flood and Coastal Risk Management Grant in aid (FCERM) Capital allocations for this year is outlined in the table below. Land drainage schemes have an 85% grant rate, which require 15% match funding from lead local authority whilst the grant rate for coastal schemes can be up to 100%.

10. NRW are responsible for main river schemes and manage their own capital programme with funding from the Wales Infrastructure Investment Programme (WIIP), Flood and Coastal Risk Management Grant-in-Aid and ERDF funding through Europe. NRW are forecasting £19.3M spend on capital schemes for 2014/15.
11. In January, I announced an additional £150,000 of funding to NRW from within Flood Risk Management budgets to assist in progressing the recommendations. This additional funding will allow for at least 37 to be completed by the end of 2015, without the need to re-prioritise work.
12. Dŵr Cymru Welsh Water can also benefit from ERDF funding for flood risk management. For 2014/15 this amounts to £1.4m.

2014/15 local authority schemes:

Local Authority	FCERM Budget	ERDF	Includes Schemes at:
Ceredigion	3,725,000		Borth Phase 2 (Coastal)
Conwy	1,960,679		Colwyn Bay phase 1c (Coastal), Afon Bach, Llansannan. Land Drainage)
Denbighshire	1,823,935	1,975,887	West Rhyl (Coastal)

Local Authority	FCERM Budget	ERDF	Includes Schemes at:
Isle of Anglesey	568,758	551,167	Beaumaris (Coastal)
Caerphilly	178,500		Ynysddu (Land Drainage)
Cardiff	854,326	702,674	Whitchurch/Rhiwbina (Land Drainage)
Monmouthshire	411,457	522,972	Station Road, Blake street (Land Drainage)
Pembrokeshire	465,000		Little Haven (Tidal flooding)
Powys	955,990	999,329	Kerry Gilfach, Tregynon village, Talgarth phase 2 (Land Drainage)
Rhondda Cynon Taff	679,474	760,009	Nant Gwawr, Bwlffa Road, Rhydfelin, Nant y Fedw (Land Drainage)
Vale of Glamorgan	474,791	457,018	Coldbrook (Catchment)

Funding for the delivery of the Marine and Fisheries Strategic Action Plan in 2014-15

13. The Marine Strategy Framework Directive is expected to spend in the region of £500k this financial year in support of the Marine Strategic Action Plan. The spend will focus across the projects within the programme as well as legislation. Because of uncertainty of the expected spend in this area during the year, along with the expected level of budget reductions, funding wasn't allocated during the supplementary budget process, instead the Marine and Fisheries budget as a whole is being monitored and can absorb some of this spend, and any shortfall will be managed within the year end MEG flexibilities. Once the profile of current and further spend on the Strategic Action Plan is further identified, the budgets will be allocated during the supplementary process during 2015/16.

Funding for the delivery of the Climate Change Strategy in 2014-15

14. The budget for the Climate Action and Resilience Team, who have responsibility for the Climate Change Strategy, is contained within the Climate Change and Sustainability line of the Natural Resources Management Expenditure Group (MEG) and for 2014-15 it is £617,000.

15. This budget line includes statutory funding to the UK Climate Change Committee as well as support for the Climate Change Commission for Wales. Expenditure to the end of December 2014 was £471,851 and it is anticipated that there will be a full spend by the financial year end.

16. It should be noted, however, that climate change is a cross-cutting issue and all departments within the Welsh Government work towards tackling it. Maximising the usage of our resources in militating against and embedding resilience to the effects of climate change is a key element of the Welsh Government's climate change policy.

Funding for the delivery of the Wales Data Hub in 2014-15

17. The Information Hub website was launched in July 2014 and provides access to up-to-date, robust data. By working with internal and external stakeholders, additional key data sets have been identified as having value to a wide range of users. Welsh Government officials are working in collaboration with partners and stakeholders to prioritise the publication of these data in line with user need and to develop the tools to allow users to access the data easily.
18. A key principle of the Information Hub is to ensure the hub is developed in the most efficient and effective way to add value to the existing network. As such, development of the hub has built on existing systems, utilising existing in house skills and resources. A further £10,000 - £20,000 has been allocated from the same budget before the end of the financial year for maintenance of the IT infrastructure and to secure IT developer resource from the Welsh Government's Knowledge and Analytical Services Division to enable the priority data sets to be published and development of associated tools. Long term resourcing and maintenance of the Information Hub will be addressed as part of a strategic plan.