

John Griffiths AC /AM
Gweinidog yr Amgylchedd a Datblygu Cynaliadwy
Minister for Environment and Sustainable Development



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref SF-JG-0399-13

Lord Dafydd Elis-Thomas AM
Chair,
Environment and Sustainability
Committee
National Assembly for Wales

20 February 2013

Annwyl Dafydd,

The Clerk of the Committee raised some further queries regarding my recent letter to the Committee and I would like to offer the following additional information.

Questions 1 – 3.

My officials have been working with their colleagues at NRW to ensure that the Cash realisable benefits statement is based on the most up to date information and has been accepted by both the Welsh Government and NRW.

As a consequence Doc1 has been further updated to include additional costs such as increased pension contributions from 2014/15, Invest to Save contributions, potential voluntary exit scheme costs and other replicating parent body costs.

This shows that the latest estimate of benefits has improved by some £5m (not including inflation) since the business case. Costs have also increased, mainly because of increased pension cost estimates received from the EAPF within the last few days. These increases have arisen as a consequence of the deficit in EAPF, together with the need to make an allowance to cover the fact that EAPF (for NRW) will be a closed fund with increasing liabilities and reducing income over time.

As a general comment, I would emphasise that these figures are likely to change further as NRW takes the operational decisions necessary to implement the change.

Doc 2 which contained the details of the Cash Realisable Benefits Table extracted from the Business Case contained a number of transposition errors and these have now been corrected.

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Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

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Question 4

I can confirm there is no discrepancy in the figures between the revised business case and the supplementary budget. The additional £1m funding in the Supplementary budget is separate to the NRW restructuring budget, and is to cover biodiversity funding, in particular the Ecosystem Resilience and Diversity Fund which is allocated through the same BEL.

Question 5

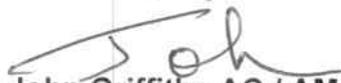
With reference to inflation not being accounted for in the original forecast table at Doc1, and as I have highlighted in the answer to question 3, my officials and colleagues from NRW have recently redrafted the cash realisable benefits in the revised forecast, and I can confirm that inflation estimates based on similar assumptions as the business case are now included in the revised Doc 1.

Question 6

For 12/13 the £5.866m in the forecast table is made up of the original £4.0m restructuring budget, plus £2.866m contribution from the current delivery bodies, much of which was carried forward balances from the previous financial year, less £1.0m in respect of revenue to capital transfer as agreed during 2nd Supplementary.

I trust the above clarifies the queries raised by the Clerk, but if you need further clarification I would be pleased to provide further details as required

Yn gywir,



John Griffiths AC / AM

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Business Case		<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19- 22/23</u>	<u>Total</u>
		<u>£000</u>	<u>£000</u>						
Costs:									
Capital		3,710	4,425	3,950	1,200	500	480	0	14,265
Revenue		3,792	5,473	6,351	7,100	4,210	4,051	8,460	39,437
Risk & Contingency			700	300	0	0	0	0	1,000
Inflation on Costs		150	376	600	663	471	544	1,110	3,914
Programme Costs	Wales Bodies (inc' overrun risk)	3,392	3,940	2,120					9,452
	FCGB	200							200
Total Costs		11,244	14,914	13,321	8,963	5,181	5,075	9,570	68,268
Funded by:									
Welsh Government	GiA	4,500	4,000	4,000					12,500
	Capital Fund bid	3,710	300						4,010
	Invest to Save bid	2,549	476	-1,513	-1,513				0
Wales Bodies contribution to Programme Costs		3,392	3,940	2,120					9,452
Cash Realisable Benefits	Baseline	0	6,962	9,298	12,389	14,118	14,232	71,159	128,158
	Inflation			186	248	282	285	1,423	2,424
Total Funding		14,151	15,678	14,092	11,124	14,400	14,517	72,582	156,544
Surplus/(Deficit)		2,907	764	771	2,161	9,219	9,442	63,012	88,276

Forecast		<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19- 22/23</u>	<u>Total</u>
		<u>£000</u>	<u>£000</u>						
Costs:									
Capital		5,018	4,761	1,950	1,200	500	480	0	13,909
Revenue		9,693	12,641	8,151	8,100	7,300	5,721	19,000	70,606
Inflation on Costs				202	376	477	511	2,834	4,400
Total Costs		14,711	17,402	10,303	9,676	8,277	6,712	21,834	88,915
Funded by:									
Welsh Government	GiA - Revenue	5,866	3,000						8,866
	GiA - Capital	1,000							1,000
	Rev to cap tfr	4,500							4,500
	Invest to Save - IT/HR	2,549	4,226	-1,513	-3,263	-2,000			0
GiA reduction									0
Cash Realisable Benefits	Baseline	0	4,052	6,187	13,054	13,493	16,009	80,645	133,440
	Inflation			124	527	826	1,320	12,027	14,824
Total Funding		13,915	11,278	4,799	10,319	12,319	17,328	92,672	162,629
Surplus/(Deficit)		-796	-6,124	-5,504	643	4,041	10,616	70,839	73,715

The NRW business case predicted the contribution to overall benefits from the merger shown in the table below:

Cash Realisable Wales Bodies : Benefits		<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19 -2022-23</u>	<u>Total</u>
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
	Amalgamation of Training Budgets of 3 Organisations	34	284	430	430	430	2,150	3,758
	Estate Rationalisation	633	633	634	634	635	3,175	6,344
	Finance non staff costs EAW	13	28	43	43	43	215	385
	Operational Field Workforce - rationalisation of fleet	315						315
	CIS net benefit	-806	-584	277	1051	1,077	5,385	6,400
	Comms' - item 3Public Info non staff costs	39	39	39	39	39	195	390
	Operational Field Workforce - Plant running costs	115	172	187	187	187	933	1,780
	Operational Field Workforce - Contracted out work	169	253	275	275	275	1,375	2,623
	Legal non staff	99	99	99	99	99	495	990
	Senior Manager salary savings	630	630	630	630	630	3,150	6,300
	Wales body Staff costs	406	915	1135	1615	1,667	8,336	14,075
	Unallocated HO costs from 2017/18	728	728	728	728	728	3,640	7,280
	Superannuation savings available from 13/14 paid in 11/12	667						667
Cash Realisable Benefits	EA Head Office	3,702	5,502	6,749	6,753	6,753	33,765	63,224
Cash Realisable Benefits	FCGB	217	599	1,163	1,634	1,669	8,345	13,627
Cash Realisable Benefits	Inflation on Cash Realisable benefits	0	186	248	282	285	1,423	2,424
Total		6,961	9,484	12,637	14,400	14,517	72,583	130,582