

FINANCE REPORT TO 31st January 2009

Purpose

1. To inform the National Committee of financial issues currently facing Forestry Commission Wales [FCW].

FY08/09

2. The financial position to the end of January in Full Resource terms is as follows:-

<i>Table 1</i>					
£000	Annual Budget	January Budget Profile	January Actual	Variance to Profile	F'cast Outturn
Departmental					
Admin Costs	6,264	5,220	5,193	27(F)	6,401
Programme Costs	5,191	4,226	2,692	1,534(F)	4,807
Programme Income	(1,412)	(1,177)	(1,299)	122(F)	(4,071)
Net Departmental Costs	10,043	8,269	6,586	1,683(F)	7,137
Assembly Woodland					
Operating Income	(23,067)	(13,632)	(10,987)	2,645(A)	(17,235)
Operating Expenditure	27,547	15,405	14,245	1,160(F)	24,000
Operating Deficit	4,480	1,773	3,258	1,485(A)	6,765
Social & Environmental Income	(983)	(820)	(886)	66(F)	(1,205)
Social & Environmental Exp.	7,277	6,064	6,029	35(F)	7,269
Social & Environmental Deficit	6,294	5,244	5,143	101(F)	6,064
Total Operational Deficit	10,774	7,017	8,401	1,384(A)	12,829
Adjustments from Full Resource to Net Cash Requirement *	1,196	3,058	723	2,330	1,492
Net Cash Requirement	22,013	18,344	15,710	2,634	21,458
WAG Baseline Funding	22,533	18,777	18,536	-	24,033
(Surplus) / Deficit Cash Requirement	(520)	433	2,826	2,393	(2,575)

(A) denotes adverse variance

(F) denotes favourable variance

* denotes Balance Sheet activity : capital income & expenditure and movements in reserves and working capital

3. There has been little in the way of movement in terms of forecast outturn since the December Finance Report to the Committee. In the lead up to the end of the Financial Year as is the norm we are controlling Cashflow on a weekly basis to ensure we outturn as per the forecast, and at the same time considering the impact on Full Resource Accounts.
4. As previously reported we continue to be in regular contact with our Department for Rural Affairs Business Unit colleagues on the issue of ensuring an appropriate mechanism is in place to allow us to carryover the forecast £2.0m surplus, over

and above the usual 2% flexibility afforded us into next year. Having believed we had a solution agreed with WAG whereby we would drawdown all budgeted funding and make a Business Case for the carryover, we are now advised that a meeting with the WAG Director General of Finance is scheduled for 11 March on this issue. I will update the Committee with the latest position at the meeting.

Other Finance & Related Issues

5. **FY08/09 Annual Accounts** - The initial audit of the Annual Account took place in February. Wales Audit Office are scheduled to return in early April to continue work on the limited changes arising from the introduction of the International Financial Reporting Standards (IFRS), the full impact of which does not occur until FY10/11. The production of Period 9 draft Accounts has given us confidence that the final audit work which will take place in mid-June will see us achieve our timetable and see the Accounts reviewed by the Audit and Risk Committee on 2 July 2009.

Risk Analysis

6. **FY08/09:** the risk of exceeding budget is **Low** [Impact 4: Likelihood <1].
7. **FY09/10:** Having had ratification by the Committee of the FY09/10 – FY11/12 Budget, these have now been issued to managers. It is becoming clear that whilst we have secured our Baseline Funding for FY09/10 there is growing pressure from Central Government that will impact on WAG funding, and FY10/11 and beyond could see difficult times. Early scenario planning has served us well in the past and I will be starting to address this as soon as our End of Year is concluded.
8. The level of risk of exceeding our Budget is **Medium to High** in light of the uncertain length and depth of the current recession. However should we be prevented from carrying over the £2.0m from FY08/09 the Risk of exceeding Budget in FY09/10 and beyond is clearly **High**.
9. **FY10/11 and beyond:** indications are that spending cuts will be imposed but we need to understand the position more fully before assessing risk.

Resource Implications

10. The paper as such does not normally give rise to resource implications. It serves as a guide as to how existing resources are being managed.

Communication

11. FCW's financial position is communicated through the publication of this paper, edited for any commercially sensitive contents on the Internet. In the meantime it is conveyed to Unit Managers through Management Forum Meetings, Estate

Management Group Meetings, and through the issue to the Team of Management Accounting Technicians who meet regularly with FCW Unit Managers. Finance Reports from Management Board and National Committee are also copied to WAG – DRA Business Unit and to Director of Finance, FCGB.

Recommendation

12. The Committee notes the current position.

Paul J Subacchi
Deputy Head of Finance
5 March 2009