

Agenda Item 3

14th May 2010

WNC 15.10

FINANCE REPORT TO 31st MARCH 2010

Purpose

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

FY09/10

2. With work now underway on the end of year processes the usual Full Resource Analysis is not included in this report but in Net Cash Requirement terms I currently forecast the following outturn position which takes account of our carrying forward our Flexible Funding Reserves into FY10/11.

FY09/10	£k	£k
Opening Reserves		752,000
Deferred Income		253,000
WAG Funding		22,533,000
Outturn Income		18,688,000
Total Income		42,226,000
Outturn Spend	36,012,000	
Plus SLA's (inc Plants)	4,090,000	40,102,000
Reserves		2,124,000
<i>Represented by</i>		
<i>Deferred Income</i>		<i>26,000</i>
<i>Reserves [Max Allowed £2,508m]</i>		<i>2,098,000</i>

3. These figures are provisional as during the preparation of the Annual Accounts adjustments will arise, but these are unlikely to materially impact on our financial performance.

Summary

4. **Departmental Costs (Grants & Regulations)** – The outturn of £3.7m was close to earlier forecasts and impacted by poor winter weather with the late surge seeing £1.1m paid out in March, of which £0.6m was paid out in the final pay-run of the FY.

5. **Assembly Government Woodland Estate** - despite the impact of the adverse weather Other FM expenditure recovered with Harvesting Income remaining strong in the final months with additional cash expenditure being incurred to meet Bio-fuel / haulage demands.
6. **Social & Environmental** - As expected the back-ended expenditure materialised and RC&H expenditure came within £0.1m of forecast.
7. **Conclusion** – whilst we have again realised a successful outturn the significant back-ended levels of expenditure must be addressed and I will be working on improved profiling with Cost Centres in the coming months.

Other Finance & Related Issues

8. **FY09/10 Annual Accounts** - Work is now underway on the FY09/10 first time adoption of **International Financial Reporting Standards based Annual Accounts** with the first Project Board meeting having taken place. As necessary I will keep the Board advised of progress.
9. **Procurement Delivery Plan** – Improved procurement processes under the three-year plan have generated £918,000 of savings in its first year, which will be realised over a 3 – 4 year period through the various contracts involved. As well as improved value for money, the plan is delivering better governance in procuring services and a better understanding across FC Wales of the importance of proper procurement.
10. **Delegated Authorities** – Specific financial delegated authorities were given to all members of FC Wales staff on 1 April 2010 with the aim of improving corporate governance, improving budgetary control and reducing business risk. This addresses a weakness highlighted by Wales Audit Office in recent years.

Risk Analysis

11. **FY09/10**: the risk of exceeding budget or exceeding our flexible funding is assessed as **Low** [Impact 4: Likelihood <1].
12. **FY10/11 & beyond**: with funding for FY11/12 and beyond under review the risk of further reductions above the 2% factored in remains **High**.

Resource Implications

13. 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.

National Committee

Communication

14. FC Wales'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 FC Wales 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

15. The Committee notes the current position.

Martin Veale
Head of Finance
3 May 2010