

Agenda Item 3

16th July 2010

WNC 20.10

FINANCE REPORT TO 31st MAY 2010

Purpose

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

FY09/10

2. Wales Audit Office began the Annual Report & Accounts [AR&A] audit as planned on 21 June with the final AR&A due to be approved at the Audit and Risk Committee on 30 July.

FY10/11

Summary

3. This year sees the introduction of a new format of management accounts which follows the new Corporate Plan headings. This has meant that FC Shared Services have had to write a new report structure to match our requirements and the report is set out at Annex 1.
4. The forecast outturn position reflects only minor changes to the budget totalling an adverse £0.150m variance. The profiling against programmes will be refined over the coming months as we work towards ensuring that work programmes are delivered where possible earlier in year to minimise back-ended expenditure.

Other Finance & Related Issues

5. **Baseline Funding** - Whilst the scale of reductions is still under review, it is clear that FCW's budgetary allocation from the Welsh Assembly Government will be substantially reduced with effect from 2011/12. Whilst the exact extent of these reductions will not be finalised until the Spending Review scheduled for October, the Management Board has drawn up a number of workstreams to identify potential areas of financial savings over and above the 2% reduction in funding that was included in the Business Plan.
6. **Pay freeze** - The Budget on 22 June announced a pay freeze across the public sector for all but the lowest paid staff for the years 2011/12 and 2012/13. FC has taken this to mean that staff earning below £21,000 will receive a £250 increase and all other staff will have their pay frozen – including incremental progression. The 3.8 per cent inflationary award (the third year of a three-year pay deal) and increments

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due in October 2010 will be honoured. We are currently working out the financial implications of this announcement.

7. **Managing with Less** - The Welsh Assembly Government has introduced a series of controls to manage their running costs, and the principles have been adopted by FC Wales. External recruitment has been frozen, and tighter limits introduced over procurement, use of consultants, expenditure on major IT projects, marketing and advertising.

Risk Analysis

8. **FY10/11:** The risk of exceeding budget or exceeding our flexible funding is assessed as **Low** [Impact 4; Likelihood <1].
9. **FY11/12 & beyond:** The risk of substantial reductions in funding from WAG for FY11/12 and beyond is **High** [Impact 5; Likelihood 4].

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. 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

12. The Committee notes the current position.

Martin Veale
Head of Finance
25 June 2010