

Agenda Item 4

24th September 2010

WNC 27.10

## FINANCE REPORT TO 31<sup>st</sup> AUGUST 2010

### Purpose

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

### FY09/10

2. The FY09/10 Annual Report & Accounts were signed by Director Wales at the Audit and Risk Committee on 30 July and by Gillian Body, Auditor General for Wales, on 3 August. They will shortly be published on the FC Wales Internet site.
3. The draft Management Letter from Wales Audit Office has now been received, the contents of which are currently being discussed with WAO. The FCW's response will be tabled at the November Audit & Risk Committee.

### FY10/11

4. **Corporate Programme Expenditure** - although some 8% behind the budgeted profile this will be addressed at the mid-year Business Planning & Monitoring meetings during October. The 2 main expenditure variances arising to date are :-
  - a forecast overspend of around £0.8m in responding to the *Phytophthora ramorum* outbreak. However, due to uncertainties of mitigating actions such as timing and substitution of other fellings, this variance has not been factored into the financial statements at this time.
  - a forecast overspend of around £0.6m in respect of Grants & Regulation.
5. **Corporate Programme Income** – Timber Income is currently giving rise to a forecast favourable income variance of circa £0.4m-£0.7m with the lowest figure having been used in the attached forecasts.
6. Taking into account other lesser variances, the overall forecast outturn position reflects only minor changes to the budget totalling a favourable £40,000 variance. The profiling against programmes continues to be refined as we work towards ensuring that we minimise back-ended expenditure.

### Other Finance & Related Issues

7. **Analysis of Corporate Programmes** – In conjunction with Policy and Programme Division, Finance carried out a 10% review of transactions to August to ascertain whether costs and revenues were being aligned with the appropriate Corporate Programme [CP]. With the sample, 89% were deemed to be correctly coded which

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has provided us with a good degree of confidence in the allocations to date against the CPs.

8. **Business Planning for 2011/12 onwards** – The commissioning exercise for the period FY11/12 – FY13/14 will commence in early October. Whilst external factors such as the Environmental Delivery Options work may impact upon this, current plans are for the Business Plan to be approved by the Management Board in January 2011 and endorsed by the National Committee in February 2011.
9. **Procurement Delivery Plan** – Due to strategy and spend changes (e.g. *P ramorum*) a review of the PDP has been undertaken and the procurement workload has been amended. The PDP is a significant driver of both improved compliance and of efficiency gains within FCW. In addition, a collaborative approach to procurement has been developed with Environment Agency Wales and Countryside Council for Wales to develop framework contracts which any of the bodies can utilise.

## **Risk Analysis**

10. **FY10/11:** The risk of exceeding budget or exceeding our flexible funding is assessed as **Low** [Impact 4; Likelihood <1].
11. **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**

12. 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**

13. 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**

14. The National Committee is asked to note the current position.

**Martin Veale**  
**Head of Finance**  
**15 September 2010**