

23 April 2015

**FINANCE REPORT****Purpose**

1. To provide the National Committee with an update on:
  - Forestry Commission England and Central Service's (FCE/CS) provisional 2014/15 outturn;
  - progress on the Annual Report & Accounts 2014/15;
  - the budget position for 2015/16; and,
  - risk management.

**2014/15 Provisional Outturn**

2. The provisional figures indicate that FCE/CS achieved an outturn of £38.32m against the key Resource DEL budget of £38.80m. The RDEL budget reflects additional Supplementary Estimate funding, and Defra approved overspends.
3. The summary variances against the various FC England budget targets are illustrated in the following table:

	<b>2014/15 Post SE Approved Budget £m</b>	<b>Period 12 Actual £m</b>	<b>Variance £m</b>	<b>Variance %</b>
<b>Net RDEL</b>	38.80	38.32	-0.48	-1.2
<b>Net CDEL</b>	0.43	0.49	0.07	14.0
<b>Net RAME</b>	-0.93	-0.47	0.46	49.5

Note: Figures subject to Management and NAO review.

4. The managed £480k variance on RDEL, which includes £134k relating to depreciation, will be used as a 'buffer' to absorb any unanticipated pressures arising from the NAO/E&Y external audit of our accounts.
5. The minor £65k variance on Capital DEL mainly reflects expenditure on GLOS system development to meet CAP-D requirements, together with IT 'run and maintain' items. The overspend was anticipated and previously flagged with Defra Finance.

6. The Resource AME variance reflects adjustments arising from the movements on provisions during the year, against a nominal budget set at the start of the financial year.
7. The low overall RDEL under spend is a very creditable result and reflects the flexibility provided by FEE's ASL, as well as robust financial management through the financial year.
8. The gross outturn on RDPE grants, which score in Defra's accounts, was £31.7m against a budget of £34.8m. The £3.0m underspend is due to the closure of the current programme, rules prevent new in year applications which previously has enabled FC to spend their full allocation. 2014-15 being the final spend out of the RDPE 2007-14 budget, commitments in 2015-16 are much lower which also hampered any flexibility in spending full allocation.

### **Annual Report & Accounts 2014/15**

9. Good progress is being maintained in delivering the 2014/15 Annual Report & Accounts within the published timetable, following the successful production of the AP09 Interim Accounts.
10. Forthcoming key dates are:
  - 30<sup>th</sup> April - presentation of accounts to external auditors and ARAC members;
  - 6<sup>th</sup> May - additional ARAC meeting;
  - 4<sup>th</sup> June (am) - review of accounts by ARAC;
  - 4<sup>th</sup> June (pm) - ENC to review/approve accounts, and sign off by Additional Accounting Officers;
  - 5<sup>th</sup> June – NAO certification; and,
  - 11<sup>th</sup> June – laying and publishing of accounts.

### **Budget 2015/16**

11. The 2015/16 budget is in place, pending final endorsement by the ENC (see separate paper 07/15 under Matters Arising) after papers were circulated by correspondence on 23<sup>rd</sup> March.
12. Whilst the outcome of negotiations with Defra has been positive, it is recognised that Defra have over-programmed for 2015/16 and, while FCE/CS will do its best to ensure that the programme is delivered, this presents a risk that restrictions or cuts may need to be made to some planned in-year activity.
13. There is also the potential following the General Election that changes or adjustments could be made to departmental budgets which could present risk to programmed activity.

14. Work continues on the strategic cost modelling of alternative options for restructuring FCE/CS across financial years 2016/17 – 2019/20, which will be brought to the ENC at the earliest practicable date.

### **Risk Management**

15. Attached for information is the FCE/CS Red Line Risk Extract.

### **Finance Risk Assessment**

#### Annual Report and Accounts 2014/15

16. Whilst the timetable is challenging, we remain on course to meet the key milestone dates and lay unqualified accounts before Parliament on 11th June 2015. The ARAC will be presented with the draft Annual Report & Accounts on 6th May. This should provide the ARAC with sufficient time to review and comment prior to sign-off on 4th June.

#### 2015/16 Budget

17. Whilst a balanced budget is in place, it is recognised that Defra may impose commitments restrictions and the next government could impose further budget cuts.

### **Recommendations**

18. The Committee is invited to note and discuss:
  - the provisional outturn position for 2014/15;
  - progress on the Annual Report & Accounts for 2014/15;
  - the 2015/16 budgetary position;
  - risk management; and,
  - the finance risk assessment.

**Steve Meeks**  
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**April 2015**