

3 February 2014

**FINANCE REPORT****Purpose**

1. To update the England Executive Board on:
  - Forestry Commission England's financial position as at the end of December (Period 09);
  - Business Plan 2013; and
  - the risk assessment of financial issues.

**2013/14 Financial Position – End December 2013 (Period 09)**

2. The current forecast indicates that FC England is progressing broadly in line with the key Net Resource DEL Expenditure (RDEL) budget, as revised following confirmation of our Supplementary Estimate budget switches.
3. The following table describes the summary forecast and variance against all budget targets:

	<b>2013/14 Post SE Budget £m</b>	<b>AP09 Forecast £m</b>	<b>Variance £m</b>	<b>Variance %</b>
<b>Net RDEL</b>	30.10	27.00	-3.10	-10.30
<b>Net CDEL</b>	0.20	0.04	-0.16	-80.0
<b>Net RAME</b>	-0.60	- 0.60	0.00	0.00

4. Of the additional £7m RDEL funding received from Defra in 2012/13, £4.1m has been committed to manage pressures such as The Big Tree Plant, IPF Priority Commitments and urgent plant health issues both on the PFE and in undertaking Oak Processionary Moth control actions, and to support the Woodland Policy Enabling Programme (WPEP).
5. The balance of £2.8m remains in a ring fenced reserve and is forecast as an underspend against RDEL. This uncommitted value is clearly flagged in our monthly financial reporting to Defra.
6. The forecast CDEL expenditure on GLOS software development has been reduced by £160k to £40k. Defra Finance have been informed. This reduction has had an equivalent negative effect on our RDEL position as the net budget assumes the full £200k capitalisation of revenue costs.
7. Full RAME cover has been provided in respect of the take up of provisions relating to the staff exits.

8. The latest RDPE forecast indicates an outturn of £33.1m against a budget of £34.6m. The variance is linked to reduced spend on AXIS 1 Wood fuel WIG.
9. Annex A sets out the forecast financial position in more detail.
10. Annex B provides additional background to the RDPE forecast.

### **Business Plan 2013**

11. The Business Plan 2013 exercise is nearing completion for 2014/15 following an initial meeting with SSG leads across the Westminster Group in early January. Whilst balancing the budget has been assisted through securing additional funding from Defra for woodland sales cover and IPF actions, the process has been complicated by the late addition of the 1.2% Autumn Statement related cut and an unexpected reduction in our opening indicative baseline which has led to some difficult prioritisation choices. There are also some structural budgeting issues, such as the capitalisation of software development costs and the communication team budget, which have to be resolved going forward.
12. A follow up meeting is being held on 3<sup>rd</sup> February to finalise the 2014/15 values, and discuss and agree the strategic handling of the various budgeting pressures which have been recognised as firm risks for 2015/16.
13. Once agreed the 2014/15 plan will be brought to the ENC for approval.

### **Risk Assessment**

#### 2013/14 Budget

14. Contingency cover for the suspension of woodland sales has been included within the baseline and outstanding SR10 pressures, such as The Big Tree Plant, covered through the reallocation of funding received in 2012/13.
15. Our Supplementary Estimate budget switches have all been approved and these will provide the necessary cover for the various pressures on our RDEL and RAME budgets which had been flagged to Defra as part of our in-year monitoring and reporting process.

#### 2014/15 & 2015/16 budgets

16. Although the 2014/15 budget is almost finalised, with a planned reduction in woodland sales cover of £1m and an additional baseline cut of £300k the indicative 2015/16 baseline looks particularly challenging. This will require early attention and agreement across the Westminster Group in order to ensure that the appropriate and necessary actions are taken sufficiently in advance of 1 April 2015.

## **Recommendations**

17. The Board is invited to note and discuss:

- the financial position for 2013/14 at Period 09;
- the business plan for 2014/15 and 2015/16; and,
- the risk assessment of financial issues.

**Steve Meeks**  
**Finance Director England**  
**January 2014**