

4 June 2015

**FEE FINANCE TABLE APPENDIX B****Background**

1. Table 1 provides an overview of the FEE trading, capital and cash position. The table shows last year outturn; annual budget for the current year, year to date performance and the current forecast. A variance analysis of the forecast against budget is provided below the table.
2. Table 2 provides details on the cash balance showing; constituent parts of the opening cash balance, the plan position for the current year, year to date performance and the forecast closing position. A variance analysis below the table shows the forecast consumption of cash against the plan consumption of cash (2015/16 is a year in which there is plan consumption of cash resource).

**Position Assessment Prior year Outturn to Plan**

3. The timber plan for the year, compared to the outturn for 2014/15, shows a reduced level of timber income - c£2m. The plan assumes a reduction in the production volume of timber (1.6%) and a decrease in the price paid for timber (4.5%) compared to the previous year.
4. 2014/15 generated significant extra income for Recreation c£2m; this was due to the good weather across the recreation season and the effects of the Gruffalo campaign. The extra volume of visitors generated increased receipts from car parking and merchandising as well as increases in indirect income from turnover increases; generating increased rentals to FEE from business partners. The plan for 2015/16 assumes a decline in recreation revenue to previous levels.
5. Plan cost has increased against the 2014/15 outturn. £2.1m of non-recurrent additional cost is in the plan together with a recurrent increase of c£2m for the National Office SLA charge from FC England to FEE.
6. The operating cost for 2014/15 was lower than expected due to a large upward stock valuation movement in Nurseries of c£2m (new pricing mechanism) and the impacts of adverse winter weather on forestry operations of c£0.4m. These one off cost reductions in 2014/15 do not carry forward into the plan.

**Year to date performance and forecast**

7. The year to date position is reporting a deficit; however if FC funding of £1.7m had been transacted, along with the SLA for national office the deficit would be around £0.3m.
8. The forecast is assumed to be the same as the plan at this point in time. Districts will be providing forecast updates following the Month 2 reporting period (22<sup>nd</sup> June).
9. Of the material factors we are currently aware of; £0.4m of cost above plan is expected for operations carried over from March 2015 into April 2015 (point 6 above). Timber revenue performance for the first month indicates around £0.25m has been delivered above plan for that month - £0.35m favourable from price (13% above plan, 7% above previous month) and

£0.1m adverse from volume being 4% below plan. It is too early to say how recent auction prices may affect the forecast and Operations are currently reviewing the position.

### **Spending Review**

10. Given the government's intention to continue with measures to tackle the structural deficit it is likely that further significant reductions will be made to un-protected departments across the next Spending Review. Any impacts on the Annual Subsidy Limit to FEE for delivery of ecosystems services will need to be managed.

### **VAT**

11. I have undertaken an analysis of FEE income and expenditure to identify areas that will need verification of tax treatment being currently applied, by finance and FEE. The analysis highlights areas that may be at risk and has been shared with the FC VAT Liaison officer and England Finance.

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