

3 June 2014

FINANCE REPORT**Purpose**

1. To provide the National Committee with an update on:
 - Forestry Commission England and Central Services' financial position at end May (Period 02);
 - the finance risk assessment; and,
 - the current assessment of top level FCE risks.

2014/15 Financial Position – End May (Period 02)

2. The summary indicative pressures against the various FC England and Central Services budget targets, at this relatively early stage in the financial year, are illustrated in the following table:

	2014/15 Approved Budget £m	Period 02 Forecast £m	Indicative Pressure £m	Indicative Pressure %
Net RDEL	45.9	47.0	1.1	2.4
Net CDEL	0.0	0.5	0.5	n/a
Net RAME	0.0	-0.9	-0.9	n/a

3. The £1.1m indicative Resource DEL pressure relates to two issues:
 - a. the resource impact of the utilisation of provisions amounting to £0.9m, primarily for early retirement costs and operational issues on the PFE; and,
 - b. the £0.2m relates to the decision to halt capital development on GLOS pending the introduction of the new CAP-D system, and so we have not bid for, or received, any capital funding in 2014/15. In previous years the software capitalisation has been achieved through crediting resource costs for IS staff whose time is now primarily spent maintaining the software.
4. The Capital DEL indicative pressure arises as the FC does not have a capital budget for 2014/15 and the £500k is a current estimate of the likely value of capital additions acquired under finance leases.
5. The indicative RAME pressure relates to the utilisation of provisions during 2014/15 and offsets the £0.9m RDEL pressure described above.

6. As reported in April, Defra have required all Network Bodies to restrict RDEL commitments to 98.1% of budget pending a review at the end of Quarter 1 (June). Whilst this is not a cut to our RDEL budget, each primary business area has been asked to develop plans on a contingency basis to accommodate a 1.9% reduction. These plans will be reviewed in June.
7. Whilst attempting to absorb the indicative pressures within 2014/15 existing budgets, particularly in the context of the additional potential 1.9% budget reduction, we will revisit the position throughout the year and report to the Committee. Where it becomes probable that the pressures cannot be absorbed into existing budgets, we will advise the Committee in advance of a Supplementary Estimate bid in the Autumn to cover the pressures. The pressures have already been flagged to Defra Finance and will continue to be part of our monthly reporting to the department.
8. The RDPE forecast anticipates fully spending our gross budget of £34.8m.
9. Annex A sets out the forecast financial position in more detail.

Finance Risk Assessment

Annual Report and Accounts 2013/14

10. Whilst the timetable is challenging, we remain firmly on course to meet the key milestone dates and lay unqualified accounts before Parliament on 12th June 2014. The ENC will be presented with the Annual Report & Accounts for approval on 3rd June.

2014/15 Budget

11. Although a balanced budget is in place, options are being developed to manage within the 98.1% commitments threshold recently set by Defra, and a Supplementary Estimate bid will be considered for the pressures detailed earlier in this paper.

2015/16 Budget

12. Options for resolving the projected deficit of £6.4m in 2015/16 are under active discussion with Defra, with the aim of agreeing a mitigation plan in early-mid July 2014.

RDEL Administration/Programme Reclassification

13. The artificial split between Administration and Programme RDEL will continue to be closely monitored, and any negative impacts on control totals from structural change flagged with Defra Finance.

Risk Management

14. The full suite of risk registers will be reviewed at the FCE+ ARAC on the morning of 3rd June.
15. Attached for reference at Annex B is the FCE Strategic Red Line Risk extract.

Recommendations

16. The Committee is invited to note and discuss:
- the financial position as at end May (AP02);
 - the finance risk assessment; and,
 - risk management.

Steve Meeks
Finance Director England
May 2014