

REVIEW OF FC ENGLAND/CENTRAL SERVICES ANNUAL REPORT AND ACCOUNTS 2013-14

Purpose

1. For the National Committee to approve the FC England/Central Services Annual Report and Accounts for 2013-14.

Background

2. The England Finance team prepared the 2013-14 Annual Report and Accounts for FC England/Central Services (including Forest Research) and FE England. All accounts were prepared to agreed timescales.
3. As in the previous financial year, a key component was to produce a comprehensive and robust set of interim accounts to 31 December 2013, which were subject to review by the NAO. This provided the opportunity to further test our processes and agree accounting procedures with NAO.
4. The challenging Defra Group Accounts timetable was met with the consolidated FC England/Central Services, including Forest Research, pro forma return and disclosure information submitted to Defra by the deadline of 25 April 2014.
5. The accounts were submitted to the NAO on 1 May 2014 in accordance with the agreed timetable. The NAO commenced their audit of the draft accounts on 6 May 2014.
6. An additional Audit and Risk Assurance Committee meeting was held on 7 May 2014 to provide members with the opportunity to review as complete a set of draft accounts as possible prior to certification and laying.
7. The Minister of State has reviewed the draft Annual Report and Accounts and agreed that they be laid before Parliament.
8. The draft Audit Certificates provided by the NAO indicate that subject to the satisfactory completion of the remaining audit work, the C&AG anticipates certifying the 2013-14 financial statements with an unqualified audit opinion, without modification.
9. The Audit Risk and Assurance Committee Chair will report this morning's discussions to this afternoon's National Committee meeting.

Performance against Budget

10. The total Forestry Commission England/Central Services resource budget for 2013-14 amounted to £51.5m, including Supplementary Estimate switches for woodlands sales contingency and the release of provisions for staff exits.

11. A summary comparison for England/Central Services is detailed below showing the resource and capital expenditure outturn to the post Supplementary Estimate budget and variances approved by Defra:

2013-14	Budget	Exp	Income	Net Exp	Variance
	£000	£000	£000	£000	£000
Resource DEL	52,387	78,239	(26,419)	51,820	567
Resource AME	(911)	(390)	-	(390)	(521)
Total Resource	51,476	77,849	(26,419)	51,430	(46)
Capital DEL	800	578	-	578	(222)

12. The gross outturn on RDPE grants, which score in Defra's accounts, was £33.3m against a budget of £33.1m. The net cost after EU co-financing was £16.1m, a £0.2m overspend which had been previously agreed with Defra.

Variance Analysis

13. The £0.6m Resource DEL variance between the 2013-14 net budget and the net outturn mainly relates to a depreciation underspend.

14. The Capital DEL underspend of £(0.2)m is in line with the forecast position provided to Defra during the year and relates to reduced levels of capital enhancements to the Grants and Licences Online System.

15. The Resource AME variance relates to an under utilisation of provisions during the year, and therefore, the full balance was not required.

Other key facts and issues

16. The Committee's attention is drawn to the following:

- **Changes to the FReM for 2013-14**

The FC England / Central Services accounts must comply with the FReM. Whilst there were no significant changes to the FReM during 2013-14, any applicable changes have been incorporated into the accounts. For example, employer pension contributions are now required to be reported in the senior staff remuneration disclosures within the Remuneration Report.

In addition, the accounts were reviewed by the FC and the NAO at the Interim accounts stage with a view to removing the non-material disclosures to comply with HM Treasury's 'Red Pen Challenge'. As a result, the year end accounts disclosures have been simplified and streamlined as far as possible.

- **Valuation of the Forest Estate**

The Forest Estate was subject to a formal professional valuation as at 31 March 2013 by Smiths Gore, Chartered Surveyors. Formal professional valuations need to be undertaken at least every five years. During intervening years between formal professional valuations, the Forest Estate remains subject to revaluations in the form of indexation exercises. Due to the size and the value of the Forest Estate, the sources of indices and valuation methodologies for use in the annual valuation exercise are agreed in advance with the NAO.

The values of the Forest Estate have increased by approximately 6 per cent since the 31 March 2013 professional valuation. In order to support this movement as at 31 March 2014, Smiths Gore have provided an analysis of woodland sales over the period and stated that 'markets in England have been reasonably buoyant with significant demand for properties. The markets have calmed a little with properties selling for or close to the asking price. There is still a steady stream of properties coming to market and while these are selling, there is not the mass interest in each property that there had been in the past.

It is still the case that good properties generate lots of interest and sell for in excess of the asking price if more than one buyer is involved. Smaller properties up to 100 hectares sell relatively quickly but lesser quality larger properties take longer to sell as the buyers in the market place are becoming more discerning about where they invest money in the woodlands. It is also thought that with the larger properties the commercial element of the purchase is much more significant than with the smaller areas purchased more for the amenity.'

Next steps

17. The FC England/Central Services accounts will be signed by Ian Gambles, Director England, and FE England's by Simon Hodgson, CEO FEE, on 3 June, and certified by the C&AG on 6 June.

18. The accounts will then be laid before Parliament on 12 June.

Recommendations

19. The National Committee should approve the Annual Report and Accounts for Forestry Commission England/Central Services and Forest Enterprise England for the year ended 31 March 2014.

Meirion Nelson
Financial Controller England
May 2014