Agenda Item 4 **England National Committee** **Paper 14/14**

23 July 2014

FINANCE REPORT

Purpose

1. To provide the National Committee with an update on:

- Forestry Commission England and Central Services' financial position at end June (Period 03) 2014;
- the finance risk assessment; and,
- the current assessment of top level FCE risks.

2014/15 Financial Position – End June (Period 03)

2. The summary indicative pressures against the various FC England and Central Services budget targets, at the end of the first quarter of the financial year, are illustrated in the following table:

	2014/15 Approved Budget £m	Period 03 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

Note: The approved budget includes £3.3m additional Plant Health funding.

3. The forecast remains as that presented to the Committee in June with a £1.1m indicative Resource DEL pressure relating 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 remains as the FC does not have a capital budget for 2014/15 and the £500k is a current estimate of the likely value of vehicle 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 June, 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 yet a formal 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 focus on:

- a reduction in FEE's cash reserves;
- the time lag in filling vacant budgeted posts;
- the gapping of vacant budgeted posts; and,
- a reduction in overhead costs, notably T&E and other miscellaneous expenditure.

7. The 1.9% reduction value is not currently reflected within forecast.

8. Whilst we will continue to attempt 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 will continue to be form of our monthly reporting to Defra Finance.

9. The RDPE forecast anticipates fully spending our gross budget of £34.8m.

10. Annex A sets out the forecast financial position in more detail.

Annual Report and Accounts 2013/14

Annual Report and Accounts 2013/14

11. I am pleased to report the that the Annual Report & Accounts were certified by the C&AG on 2nd July, and laid before Parliament on 7th July 2014.

Finance Risk Assessment

2014/15 Budget

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

2015/16 Budget

13. Options for resolving the projected deficit of £6.4m in 2015/16 remain under active discussion with Defra, with the aim of agreeing a mitigation plan at the earliest opportunity.

RDEL Administration/Programme Reclassification

14. 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

15. The full suite of risk registers were reviewed at the FCE+ ARAC on the 3rd June.

16. Attached for reference at Annex B is the FCE Strategic Red Line Risk extract.

Recommendations

17. The Committee is invited to note and discuss:

- the financial position as at end June (AP03);
- the finance risk assessment; and,
- risk management.

Steve Meeks
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July 2014