

30 April 2014

FINANCE REPORT**Purpose**

1. To provide the National Committee with an update on:
 - Forestry Commission England's provisional 2013/14 outturn;
 - progress on the Annual Report & Accounts 2013/14;
 - the budget position for 2014/15 - 2015/16; and,
 - risk management.

2013/14 Provisional Outturn

2. The provisional figures indicate that FC England (FCE) achieved an outturn of £37.5m against the key Resource DEL budget of £36.0m (excluding depreciation). The RDEL budget reflects additional Supplementary Estimate funding, and Defra approved overspends. This included £8m to strengthen Forest Enterprise England's (FEE) reserves for plant health activities on the Public Forest Estate.
3. The summary variances against the various FC England budget targets are illustrated in the following table:

	AP12 Actuals	2013/14 Approved Budget	Variance	Variance
	£m	£m	£m	%
Net RDEL	37.516	35.957	1.559	4.3
Net CDEL	0.030	0.200	-0.170	-85.0
Net RAME	-0.249	-0.569	0.320	-56.2

Note: Figures subject to Management and NAO review.

4. Our approach is to optimise the end of year financial position across the FCE/Central Services 'Westminster Group' and maximise any carry forward of funds to 2014/15 through FEE's Annual Subsidy Limit (ASL) mechanism. Whilst this optimisation has led to a nominal overspend of £1.5m within FCE, the overall RDEL position across the Group is a managed minor underspend of £254k. This underspend provides a contingency for adjustments arising from management and audit review.
5. The low overall RDEL under spend is a very creditable result and reflects the flexibility provided by FEE's ASL, as well as robust financial management through the financial year.

6. The Capital DEL underspend of £170k relates wholly to GLOS and had been flagged to Defra Finance earlier in the financial year for recycling within the wider Network.
7. The Resource AME budget provided was based on an estimate of the provisions required for staff exits under SR10, and for residual early retirement payments under previous schemes.
8. The gross outturn on RDPE grants, which score in Defra's accounts, was £33.3m against a budget of £34.6m. The £1.3m underspend is linked to Axis 1 (WIG Wood Fuel) and Axis 5 (Technical Assistance). The Axis 2 (Woodland Grants) budget was fully spent.

Annual Report & Accounts 2013/14

9. Good progress is being maintained in delivering the 2013/14 Annual Report & Accounts within the published timetable, following the successful production of the AP09 Interim Accounts.
10. Forthcoming key dates are:
 - 1st May - presentation of accounts to external auditors and ARAC members;
 - 7th May - additional ARAC meeting;
 - 3rd June (am) - review of accounts by ARAC;
 - 3rd June (pm) - ENC to review/approve accounts, and sign off by Additional Accounting Officers;
 - 6th June – NAO certification; and,
 - 12th June – laying and publishing of accounts.

Budget 2014/15 – 2015/16

11. The 2014/15 budget is in place following endorsement of the Business Plan by the ENC. It includes an additional £2.7m ring-fenced plant health funding for FCE provided by Defra.
12. However, Defra are requiring all Network Bodies to reduce commitments to 98.1% of budget subject to review at the end of Quarter 1 (June). The 1.9% equates to £540k of the FCE RDEL budget (excluding depreciation). Options are being drawn up to manage the potential impact.
13. The projected budget position for 2015/16 indicates a deficit of £6.4m (including a £1.2m increase in employer contributions to the PCSPS) against the indicative RDEL baseline. This significant risk is under active discussion with Defra Policy and Finance following an exchange of letters between Ian Gambles and Sarah Hendry. The aim is to reach an agreed position to resolve the pressure, which may involve utilisation of the £8m funds carried forward from 2014/15, in July 2014.

Risk Management

14. The FC England Strategic Red Line Risk Extract will be updated and circulated to ENC members after the FEE Management Board has reviewed their Risk Register on the 24th April.

Finance Risk Assessment

Annual Report and Accounts 2013/14

15. Whilst the timetable is challenging, we remain on course to meet the key milestone dates and lay unqualified accounts before Parliament on 12th June 2014. The ARAC will be presented with the draft Annual Report & Accounts on 7th May. This should provide the ARAC with sufficient time to review and comment prior to sign-off on 3rd June.

2014/15 Budget

16. Whilst a balanced budget is in place, options are being developed to manage within the 98.1% commitments threshold recently set by Defra.

2015/16 Budget

17. 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

18. The artificial split between Administration and Programme has been further highlighted by the additional Programme RDEL funding for enhanced plant health activities. Discussions are being held with Defra on managing the impact of the funding on our control totals.

Recommendations

19. The Committee is invited to note and discuss:
 - the provisional outturn position for 2013/14;
 - progress on the Annual Report & Accounts for 2013/14;
 - the 2014/15 – 2015/16 budgetary position;
 - risk management; and,
 - the finance risk assessment.

Steve Meeks
Finance Director England
24 April 2014