

Agenda Item 4

Executive Board Meeting  
4 June 2014

Memo No 8/14

## FINANCE AND INFORMATION SYSTEMS UPDATE

### Purpose

1. To provide the Board with an update on financial, accounting and IS matters.

### Annual Accounts 2013-14

2. The preparation of accounts covering FC England/Central services for the period ended 31 March 2014 is well advanced with the key deadlines met in respect of management reviews, consideration by the Audit and Risk Committee and submission to NAO.

### Central Services Finances

3. Annex A outlines budgets, final outturns and forecasts with comment as appropriate.

### HMRC compliance review

4. Initial discussions were held with HMRC about its review of the home-to-office use of FC cars. Lack of mileage logs prevented FC being able to provide systematic evidence about the use of its cars. The review relied on a snapshot of incomplete and anecdotal evidence provided by cost centres in December 2013. This showed that previous years' declarations of tax liability were significantly less than reported. HMRC has begun negotiations with us to reach a tax and National Insurance settlement covering the years 2009-10 to 2013-14. Mileage logs will be introduced in the next few weeks and country mechanical engineers will be rolling these out. FAS and the mechanical engineers are considering how this data can be captured electronically to enable analyses at year end. The FC already declares some 35 vehicles as taxable and this liability is reimbursed to employees via a complex and time consuming process involving FAS and Payroll Services. Potentially a further 60+ vehicles are likely to be taxable and this would have resource implications for FAS.

5. Preliminary discussions were also held with HMRC on its upcoming employer compliance audit. The operation and compliance around payroll is low risk and HMRC will focus on payments to individual contractors, including volunteers (to determine whether the individual is a contractor or an employee) and travel, etc. expenses. The latter is wide reaching and includes examination of home working, employees with more than one base for tax purposes, relocation/detached duty, hospitality and rewards.

6. A separate HMRC audit team is looking at the FC's compliance with VAT legislation. This is making slow progress because of resource issues within HMRC. To demonstrate a proactive approach, external consultants have been supporting FAS to examine VAT in the shared services and cross-border functions. It is not possible to quantify any financial consequences at present until HMRC concludes its work with the rest of the FC. The consultants will also provide support in other areas if required.

## Business Strategy Working Group (BSWG)

7. The BSWG has made good progress. The Shared Services Agreement and Change Protocol have been published and work on the Staffing Protocol and review of governance arrangements is progressing well. A key output will be the Shared Services Roadmap which is nearly complete.

## Business Sustainability

8. We are pleased to report the installation of our first Automatic Meter Reading (AMR) using broadband technology rather than the conventional SIM-based meters. Whilst we have installed around 140 conventional AMRs that use the mobile phone network for connectivity further expansion was limited due to a lack of signal coverage at many of our sites. We are one of the first organisations to install broadband AMRs and now have an opportunity to maximise our AMR coverage with resultant reduction in cost and improvement in energy management.

## National Resources Wales

9. NRW has now provided formal notification of their intention to reach complete independence from FC GB systems by a target date of April 2017. For the finance systems they intend to have their new financial ledgers in place by the end of October 2014 and for these to be fully operational by 1 April 2015. This will involve a lot of FAS time in the three phases of the project covering data migration, knowledge transfer and interface design. This is a considerable block of work and regular meetings have been set-up to control the process.

## Procurement Services update

10. EU regulation changes are currently being considered by the Westminster Government. It appears that there will be no public consultation and that the new regulations will become law, in England and Wales, around December 2014. There has still be no firm date for implementation, although the Cabinet Office is now running training workshops for procurement teams. The Scottish Government is still indicating that they will consult on the changes during 2014 and expect to finalise the new regulation in the summer of 2015.

11. The Procurement Reform (Scotland) Bill has passed stage 3 of its journey through the Scottish Parliament and now awaits Royal Assent. The bill sets out the legislative framework under which all public procurement in Scotland will be conducted. The

# Finance and IS Update

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changes are wide ranging and will require a thorough review of the way FC and FE Scotland undertake procurement in future. The bill requires a new approach to strategy, performance and reporting of the procurement activity in public bodies. This bill is an enabling legislation and the new measures will be introduced over time, as the Scottish Government issues guidance on each part of the bill. The timetable for the introduction of the new measures is not yet known.

12. The Procurement Services team are working with the country's management teams to assess the impact of the new regulations and legislation and helping them to understand the structures and processes required to comply with the changes.

## Impact on resources

13. As described in the paper.

## Risk Assessment, Communications issues and Implementation and evaluation proposals

14. The changes in Procurement legislation have been highlighted above.

## Recommendations

15. The Board is asked to note the contents of the paper.

Paul Snaith  
Director Finance  
May 2014

### Business Monitoring 2013-14

£000

#### Shared Services

	Original Budget	Final Forecast	Outturn	Variance from F'cast
Information Services	6,352	6,558	6,564	+6
Human Resources	4,560	4,274	4,276	+2
Finance & Accounting Services	2,040	2,065	2,079	+14
Internal Audit	587	585	548	-37
IFOS	3,850	4,139	4,112	-27
FES Skills Support Unit	218	198	187	-11
FEE Apprentice Support	163	139	117	-22
Office Services	2,554	2,533	2,504	-29
<b>Total</b>	<b>20,324</b>	<b>20,491</b>	<b>20,387</b>	<b>-104</b>

#### Corporate & Forestry\*

\* Annual budget includes £7,657k FR funding

<b>13,137</b>	<b>13,122</b>	<b>13,009</b>	<b>-13</b>
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#### Forest Research (RDEL)

<b>7,657</b>	<b>7,657</b>	<b>7,339</b>	<b>-318</b>
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### Shared Services

The final agreed funding for the shared services was £20.491m. During the year a number of savings occurred across the various service areas. These arose mainly through staff numbers running below budget and other running costs being lower than expected. As a result it was possible to re-direct funding to IS to fund essential Public Sector Network compliance work. Outturns have come in very close to final forecasts across all of the shared services. This reflects the considerable effort during the final quarter of the year to identify and redistribute the surplus funds to where they could be spent, mainly from HR to IS.

### FR

FR surplus can be largely explained by income being higher than forecast and a reduction of £58k in the holiday pay accrual.'