

19 April 2018

**FINANCE REPORT****Purpose**

1. To provide the Executive Board with an update on:
  - Forestry Commission England and Central Services (FCE/CS) end of year financial position at end March (Period 12);
  - the 2018/19 Budget; and,
  - the finance risk assessment.

**2017/18 Forecast Financial Position – End March (Period 12)**

2. The summary end of year position of the various FCE/CS high level budget targets is illustrated in the following table:

Category	2017/18 Original Budget	Q1 Approved Budget	Q2 Approved Budget	Q3 Approved Budget	Q4 Approved Budget	AP12 Actuals	Variance to Accepted Budget
	£m	£m	£m	£m	£m	£m	£m
Net RDEL	44.61	40.76	41.21	41.95	41.80	41.40	-0.40
Net CDEL	8.42	6.62	6.62	7.00	5.98	5.40	-0.58
Net RAME	-0.15	-0.15	-0.15	-0.15	2.14	1.53	-0.61
RDPE Grants	27.50	27.50	27.50	27.50	27.50	13.30	-14.20

- Notes:
1. RDEL figures include depreciation.
  2. All values subject to external review.

3. We have met our final adjusted RDEL target as agreed with Defra, whilst allowing for a marginal managed underspend of £0.2m to cater for any potential adjustments stemming from the external audit process. The total RDEL underspend of £0.4m also includes £0.2m on ring-fenced depreciation.
4. The CDEL underspend of £0.6m has been generated within Forest Research and Shared Services. Discussions are ongoing as to the reasons for the variances.
5. The significant adjustment in Q4 to the AME related to the need to include a constructive obligation in our accounts to reflect ongoing FC restructuring and, in particular, potential staff exits from within FC Central Services. It also contained cover for a potential downward revaluation of the FR estate which did not materialise and led to the £0.6m variance.
6. The RDPE forecast has reduced by a further £9.7m to £13.3m due to an over optimistic Higher Tier forecast and a significant reduction in the year end accrual figure given that there is no longer an anticipated 'backlog' on the new scheme.
7. Annex A sets out the unaudited Period 12 financial outturn position in more detail.

## **Business Planning – 2018/19 Budget**

8. Although Director England received a 2018/19 budget allocation letter from the Defra Permanent Secretary on 21st March, it is understood that the values are subject to change due to the need to manage a residual budget gap across the department. The allocation letter recognised acceptance by Defra of the savings measures proposed by FC for 2018/19, although a significant proportion of the savings are for one-year only.
9. Interim letters of delegation have been issued by Director England to senior FC business leads in order to ensure that they have sufficient delegated authority to commit expenditure from the start of the financial year.
10. We also await revised FC Shared Service SLA charges for 2018/19 following a series of staff transition planning meetings with Silvan House and FC Scotland colleagues. These charges are expected to recognise further cost reductions within the central corporate service functions as colleagues are assimilated into FC Scotland or exit the FC through the course of 2018/19.
11. Once the Defra and SLA values are confirmed then we will finalise the FEE and FS business plans for ENC approval. It is hoped that this will be by the end of May via correspondence.

## **Finance Risk Assessment**

### 2017/18 Outturn

12. The expectation is that FCE/CS will meet its approved budget targets for 2017/18, whilst allowing for a marginal underspend to act as a prudent buffer for potential audit adjustments.

### 2018/19 Budget

13. There is a real possibility of the FC being asked to find further savings in 2018/19 as Defra seek to close the residual budget gap. We will continue to mitigate this through close engagement via the Outcome Systems Groups. The share of cost reductions flowing from the de-commissioning of FC Shared Services is also unclear at this stage and may not reach the levels assumed in our forward planning. Business areas have, therefore, been asked to prepare to respond to additional requests for savings measures and refrain from committing to any non-essential expenditure until further notice.

## **Recommendations**

14. The Board is invited to note and discuss:
  - the unaudited outturn position as at end March (AP12);
  - the 2018/19 budget; and;
  - the finance risk assessment.

**Steve Meeks**  
**Finance Director England**  
**April 2018**