

FINANCE REPORT**Purpose**

1. To provide the National Committee with an update on:
 - Forestry Commission England and Central Services (FCE/CS) financial position at end May (Period 02);
 - 2017/18 Annual Report & Accounts;
 - Business Planning/SR19; and,
 - the finance risk assessment.

2018/19 Financial Position – End May (Period 02)

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

Category	2018/19 Baseline	Q1 Pending Changes	Indicative Forecast @ AP2
	£m	£m	£m
Net RDEL	41.62	0.37	41.99
Net CDEL	10.06	6.47	16.53
Net RAME	- 0.10		- 0.10
RDPE Grants	24.00		24.00

- Notes:
1. RDEL figures include depreciation
 2. CDEL baseline includes £3.9m R&D Expense
 3. RDPE Grants budget indicative

3. The baseline reflects changes approved by Defra at Quarter 0 which are:

RDEL

- -£0.270m adjustment to correct an Defra allocation error on CDEL R&D
- -£0.004m agreed transfer to Defra's Public Appointments Team

CDEL

- +£0.270m adjustment to correct an Defra allocation error on CDEL R&D
- +£0.403m additional agreed FR capital funding

4. The Quarter 1 Pending changes comprise:

RDEL

FS OPM funding	£0.030m
FS Deer Initiative funding	£0.100m
FS EU Exit Funding	£0.850m
FS Stakeholder Comms	£0.010m
Director's Office Depreciation	-£0.370m
Shared Services Depreciation	-£0.250m
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	£0.370m

CDEL

FS Capital Bids	£1.730m
FS EU Exit Funding	£0.120m
FR Capital Bids	£4.550m
IS Run & Maintain	£0.070m
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	£6.470m

5. The FS capital bids relate to the development of business software applications and the FR capital bid for the construction of a new science building.
6. Although the majority of these variances have received approval at working level within Defra, they are currently held as 'Pending ExCo approval' on our Risk & Opportunities tracker.
7. Annex A sets out the forecast financial position in more detail.

Annual Report & Accounts 2017/18

8. I am pleased to report that 2017/18 Annual Report & Accounts for FCE/CS, FEE and FRE were laid before Parliament on 21st June 2018.

Business Planning

9. Defra have initiated the Spending Review 19 (SR19) process within the Department which is expected to gather pace towards the end of the summer and through the autumn.
10. Defra have established a joint Finance /Strategy programme for SR19 which will operate through the Outcome Systems Groups (OSGs).

Finance Risk Assessment

2018/19 Budget

11. Although a balanced budget is in place Defra may seek to impose a commitments restriction, or savings requirement, if the timing of transformation and other efficiencies across the Department do not materialise as expected.
12. There is a risk that the pending variances that have not received working level approval within Defra will not receive ExCo approval. These include EU Exit Funding, FS Capital and IS 'run & maintain' items. We are working closely with Defra Finance to mitigate the risk.

SR19

13. There is a risk of material adjustment to FC's baselines through the SR19 negotiations, which will be mitigated through constructive, evidence based, engagement with the OSGs.

Recommendations

14. The Committee is invited to note and discuss:
 - the financial position as at end May (AP02);
 - the laying of our suite of Annual Report & Accounts;
 - the initiation of the SR19 process; and,
 - the finance risk assessment.

Steve Meeks
Finance Director England
July 2018

ENC Finance Report

Paper 18/18

Forestry Commission (Westminster Group) Finance Report 2018/19						AP2
Budget Category	Entity	£m	£m	£m	£m	
		Accepted Budget Position	YTD Actuals @ AP2	Forecast @ AP2	Forecast variance to budget	
RDEL Admin	National Office (NO)	0.05	0.14	-0.26	-0.30	
	Forest Services (FS)	5.70	0.60	6.20	0.50	
TOTAL FC ENGLAND ADMIN		5.74	0.74	5.94	0.20	
RDEL Prog	National Office (NO)	0.65	0.03	0.58	-0.07	
	Forest Services (FS)	10.70	1.20	11.19	0.49	
	Forest Enterprise England (FEE)	17.61	2.94	17.61	0.00	
TOTAL FC ENGLAND PROG		28.96	4.17	29.38	0.42	
TOTAL FC ENGLAND RDEL		34.70	4.91	35.32	0.62	
RDEL Prog	Corporate & Forestry Support (CFS)	0.37	0.06	0.37	0.00	
	Shared Services (SS)	0.50	0.21	0.25	-0.25	
	Forest Research (FR)	6.05	1.42	6.05	0.00	
TOTAL CENTRAL SERVICES (CS) RDEL		6.91	1.68	6.66	-0.25	
TOTAL FCE/CS RDEL		41.62	6.59	41.99	0.37	
CDEL	Total CDEL (Asset)	6.14	0.00	12.61	6.47	
	Total CDEL (Expense)	3.92	0.75	3.92	0.00	
TOTAL FCE/CS CDEL		10.06	0.76	16.53	6.47	
TOTAL FCE/CS RDEL AND CDEL		51.68	7.35	58.52	6.84	