

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 August (Period 05);
 - Business Planning/SR19; and,
 - the finance risk assessment.

2018/19 Financial Position – End August (Period 05)

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

Category	2018/19 Baseline	Q2 Pending Changes	Indicative Forecast @ AP5
	£m	£m	£m
Net RDEL	41.63	0.37	42.00
Net CDEL	10.56	1.31	11.87
Net RAME	-0.10	0.00	-0.10
RDPE Grants	24.00	0.00	24.00

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

3. The Defra approved changes to our baseline, together with the Q2 pending changes, are set out in Annex A.
4. Director England has raised our concerns with the Group Finance Director at what appears to be a trend within Defra towards very late budgetary approvals, for both baseline allocations and in-year approvals. This was prompted in particular by delays in confirming our T2 and T3 EU Exit bids, capital funding for FR's new Entomology and Pathology Quarantine Laboratory, and a number of capital IT bids for FS and FR.
5. The Group Finance Director has responded positively, is committed to ensuring that going forward Defra will have a faster, streamlined process, and has released £500k of central Capital IT funds to enable FS to take forward essential work. Some funding has now been confirmed with regard to EU Exit funding and we are optimistic that the FR Estates funding will be confirmed despite over-programming across the Defra Group.
6. Annex B sets out the forecast financial position in more detail.

Business Planning/SR19

7. Defra have initiated the Business Planning exercise for 2019/20 and we have already input into a baseline confirmation exercise, with the next step being mapping our resources to a common set of activities across the Defra Group. This is to build up a picture of where money is spent across the Group and to enable senior leaders to make better informed decisions on prioritisation.
8. During October the Outcome Systems Groups (OSGs) will be required to develop planning options to balance the 2019/20 budget, which will be brought to a Big Room Event in late November/early December to make final decisions. The discussions are likely to be challenging and the FC will be expected to play its part in meeting any residual budget gap.
9. The Big Room decisions will then be put to Ministers for approval in December after which budget allocations will be confirmed.
10. The timing of the Spending Review 19 (SR19) process has yet to be confirmed, but is now thought likely to be in the Spring/Summer of 2019.

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, such as the IS 'run & maintain' items, will not receive ExCo approval. We are working closely with Defra Finance to mitigate the risk.

2019/20 Budget/SR19

13. There is a risk of material adjustment to FC's baselines through the 2019/20 and SR19 negotiations, which will be mitigated through constructive, evidence based, and engagement with the OSGs.

Recommendations

14. The Committee is invited to note and discuss:
 - the financial position as at end August (AP05);
 - business planning for 2019/20; and,
 - the finance risk assessment.

Steve Meeks
Finance Director England
September 2018

ENC Finance Report – Approved and Pending Changes

Paper 23/18

Category	2018/19	Q0	Q0	Q1	Q1	P5	P5	Indicative	Q2
	Baseline	Approved	Approved	Approved	Approved	Approved	Approved	Forecast	Pending
	£m	£m	£m	£m	£m	£m	£m	@ AP5	£m
Net RDEL	41.65	- 0.04	41.62	0.01	41.63	-	41.63	42.00	0.37
Net CDEL	9.60	0.46	10.06	-	10.06	0.50	10.56	11.87	1.31
Net RAME	- 0.10	-	0.10	-	0.10	-	0.10	0.10	-
RDPE Grants	24.00	-	24.00	-	24.00	-	24.00	24.00	-

Q0 Approved Changes:

	RDEL		CDEL
Public appointments trans	- 0.04	FR Scientific equip	0.46
	- 0.04		0.46

Q1 Approved Changes:

	RDEL		CDEL
FS Stakeholder Comms budget	0.01		-
	0.01		

P5 Approved Changes:

	RDEL		CDEL
	-	FS Capital Bids	0.50
			0.50

Q2 Pending Changes:

	RDEL		CDEL
FS OPM funding	0.03	FR Capital Bids - Estates	0.91
FS Deer initiative funding	0.10	FR Capital Bids - IT	0.32
FS EU Exit funding - APH	0.05	SS - IT Run & Maintain	0.07
FS EU Exit funding - APH (2)	0.11		
FS EU Exit funding - FF	0.23		
NO Dep'n reduction	- 0.37		
SS Dep'n reduction	- 0.25		
FS Dep'n reduction	- 0.43		
FR Observatree funding	0.08		
NO Staff Exit Costs	0.82		
	0.37		1.31

Forestry Commission (Westminster Group) Finance Report 2018/19					AP5
Budget Category	Entity	£m	£m	£m	£m
		Accepted Budget Position	YTD Actuals @ AP5	Forecast @ AP5	Forecast variance to budget
RDEL Admin	National Office (NO)	0.05	-0.23	0.05	0.00
	Forest Services (FS)	5.70	4.33	5.75	0.05
TOTAL FC ENGLAND ADMIN		5.74	4.10	5.79	0.05
RDEL Prog	National Office (NO)	0.59	-0.09	1.04	0.45
	Forest Services (FS)	10.71	4.16	10.75	0.05
	Forest Enterprise England (FEE)	17.61	5.87	17.61	0.00
TOTAL FC ENGLAND PROG		28.91	9.94	29.41	0.50
TOTAL FC ENGLAND RDEL		34.65	14.04	35.20	0.55
RDEL Prog	Corporate & Forestry Support (CFS)	0.37	0.16	0.37	0.00
	Shared Services (SS)	0.50	-0.35	0.25	-0.25
	Forest Research (FR)	6.11	2.98	6.18	0.08
TOTAL CENTRAL SERVICES (CS) RDEL		6.97	2.79	6.80	-0.17
TOTAL FCE/CS RDEL		41.63	16.83	42.00	0.37
CDEL	Total CDEL (Asset)	6.64	0.30	7.95	1.31
	Total CDEL (Expense)	3.92	1.94	3.92	0.00
TOTAL FCE/CS CDEL		10.56	2.24	11.87	1.31
TOTAL FCE/CS RDEL AND CDEL		52.19	19.07	53.87	1.68
RESOURCE AME		-0.10	0.00	-0.10	0.00
RDPE Grants		24.00	5.55	24.00	0.00