

FINANCE REPORT**Purpose**

1. To provide the Executive Board with an update on:
 - Forestry Commission England's (FCE's) financial position at end September (Period 06);
 - Business Planning/SR19; and,
 - the finance risk assessment.

2018/19 Financial Position – End September (Period 06)

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

Category	AP 5 Approved Budget	Q2 Pending Changes	Indicative Forecast @ AP 6
	£m	£m	£m
Net RDEL	34.65	0.52	35.17
Net CDEL	6.00	-0.54	5.46
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 £0.2m 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 also now been confirmed with regard to EU Exit funding. We remain 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 and mapped 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 and Ministers to make better informed decisions on prioritisation.
8. Towards the end of 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 the budget gap for 2019/20 which is expected to be substantial.
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, engagement with the OSGs.

Recommendations

14. The Board is invited to note and discuss:
 - the financial position as at end September (AP06);
 - business planning for 2019/20; and,
 - the finance risk assessment.

Steve Meeks
Finance Director England
October 2018

EEB Finance Report – Approved and Pending Changes

Paper 10/18

EEB Paper Template

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	@ AP6	£m
Net RDEL	34.74	- 0.04	34.70	- 0.05	34.65	-	34.65	35.17	0.52
Net CDEL	5.50	-	5.50	-	5.50	0.50	6.00	5.46	- 0.54
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	
	- 0.04	-

Q1 Approved Changes:

	RDEL	CDEL
FS Stakeholder Comms budget	0.01	
Funding for TreeAlert (NO)	- 0.06	
	- 0.05	-

P5 Approved Changes:

	RDEL	CDEL
		FS Capital Bids
		0.50
	-	0.50

Q2 Pending Changes:

	RDEL	CDEL
FS Deer initiative funding	0.10	FS OPM funding (R&D)
FS EU Exit funding - APH	0.05	FS WCF Northern Forest
FS EU Exit funding - APH (2)	0.11	- 0.58
FS EU Exit funding - FF	0.23	
NO Dep'n reduction	- 0.37	
FS Dep'n reduction	- 0.43	
NO Staff Exit Costs	0.82	
	0.52	- 0.54

EEB Finance Report – FCE/CS Summary Position at AP6

Paper 10/18

Forestry Commission (Westminster Group) Finance Report 2018/19						AP6
Budget Category	Entity	£m	£m	£m	£m	
		Accepted Budget Position	YTD Actuals @ AP6	Forecast @ AP6	Forecast variance to budget	
RDEL Admin	National Office (NO)	0.05	-0.44	0.05	0.00	
	Forest Services (FS)	5.70	2.37	5.80	0.10	
TOTAL FC ENGLAND ADMIN		5.74	1.93	5.84	0.10	
RDEL Prog	National Office (NO)	0.59	0.05	1.04	0.45	
	Forest Services (FS)	10.71	4.94	10.67	-0.03	
	Forest Enterprise England (FEE)	17.61	7.34	17.61	0.00	
TOTAL FC ENGLAND PROG		28.91	12.33	29.33	0.42	
TOTAL FC ENGLAND RDEL		34.65	14.26	35.17	0.52	
RDEL Prog	Corporate & Forestry Support (CFS)	0.37	0.17	0.37	0.00	
	Shared Services (SS)	0.50	-0.14	0.20	-0.30	
	Forest Research (FR)	6.11	3.50	6.18	0.08	
TOTAL CENTRAL SERVICES (CS) RDEL		6.97	3.53	6.75	-0.22	
TOTAL FCE/CS RDEL		41.63	17.79	41.92	0.29	
CDEL	Total CDEL (Asset)	6.64	0.33	7.10	0.45	
	Total CDEL (Expense)	3.92	2.21	3.95	0.03	
TOTAL FCE/CS CDEL		10.56	2.54	11.05	0.48	
TOTAL FCE/CS RDEL AND CDEL		52.19	20.33	52.96	0.77	
RESOURCE AME		-0.10	0.00	-0.10	0.00	
RDPE Grants		24.00	6.03	24.00	0.00	