



Comisiwn Coedwigaeth Cymru  
Forestry Commission Wales

# Annual Report and Accounts 2007-2008



Uyrenddedd Cynulliad Cymru  
Welsh Assembly Government

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**Foreword** by Jon Owen Jones,

Chairman FC Wales National Committee



**IAN FORSHAW**

**1955 - 2007**

This has been a very challenging year for Forestry Commission Wales (FCW) as we lost our highly respected Director Ian Forshaw in September 2007. He passed away while doing what he loved, and that was robustly debating forestry matters at the Institute of Chartered Foresters' annual conference in York. His enthusiasm for forestry in Wales and beyond will be greatly missed. Of course the loss is far greater for his wife and family and I offer my heart felt sympathy. I knew and worked with Ian for little more than six months but in that time he impressed me with his knowledge, competence and kindness.

Trefor Owen has had to step up as Acting Director and I am very pleased his hard work has been recognised with his recent permanent appointment. I wish him continued success.

The Wales Assembly elections took place last May. It took some time before the coalition government was formed and several months longer before Forestry was established in the Department for Rural Affairs, and with our Minister Elin Jones AM. Our Minister and her senior civil servants have made very clear their involvement and ambitions for our work.

One main area of involvement has been working with our Minister on the new strategy for trees and woodlands in Wales, which will meet the needs of the forest sector in the future. I also attended the launch of Plant! with the First Minister in December. This Welsh Assembly Government One Wales initiative aims to plant a tree for every child born or adopted by parents resident in Wales from 1 January 2008 onwards, in order to raise environmental awareness and to encourage their interest in the benefits of trees and woodlands.

Finally, I am very pleased to report that FCW, who are managing the National Forest Estate Wind Farm Project on behalf of the Welsh Assembly Government, have signed options with three of the five preferred bidders to develop on shore wind energy in target areas.

## **Introduction** by Trefor Owen, Director Wales

It was with great sadness that I took up the post of Acting Director Forestry Commission Wales after Ian Forshaw's sudden and tragic death last year. Ian led Forestry Commission Wales with clear vision and will be remembered for always adopting a common sense approach to making things happen, and making sure this was done with good humour. He was highly respected by all stakeholders and colleagues alike and he skilfully positioned the organisation to meet the priorities set by the Welsh Assembly Government. I am particularly proud of my colleagues for the way they demonstrated professionalism, dedication, mutual support and understanding in keeping Forestry Commission Wales focused on our business priorities through exceptionally difficult circumstances in the latter part of the year.

Despite these challenging circumstances we delivered the majority of our programmes centred around sustainable management of the woodland resources in Wales in conjunction with our partners. This report provides further details on our broad range of activities. I am especially pleased with the way that the Better Woodland for Wales grant scheme has settled down in its first full year of operation. Applications from private woodland managers steadily increased. We have made very good progress in developing a new enlarged Wood Energy Business Scheme, with partner organisations and the Welsh European Funding Office.

One of Ian Forshaw's lasting legacies within Forestry Commission Wales was the creation of a larger and more capable Policy and Programmes Team, which has been tasked with leading the development of a revised Welsh Assembly Government Forestry Policy (*Woodlands for Wales*) with the assistance of the Woodland Strategy Advisory Panel. We published our Corporate Plan for the year ahead, with twenty-two clear and challenging targets for the coming year and will publish a three-year Corporate Plan next year, after the review of the Assembly's Forestry Policy is completed.

I would like to finish with a few words on Climate Change. Climate Change is real and the biggest challenge and opportunity we face. We will only realise the benefits if Forestry Commission Wales and the forestry sector play their parts; scientists developing the evidence base, practical foresters managing forests sustainably, arboriculturalists promoting town trees and urban woods, and timber engineers helping wood replace less sustainable materials. This provides a very clear direction for Forestry Commission Wales' purpose and future priorities.

## Who we are

Forestry Commission Wales came into being on 1 April 2003. We act as the Welsh Assembly Government's Department of Forestry to advise on and implement forestry policies, reporting to the Minister for the Department of Rural Affairs. We are also part of the Forestry Commission Great Britain, which conducts research, advocacy and corporate services on our behalf.

There are nearly 400 of us at Forestry Commission Wales – such as land agents, Information Technology specialists, ecologists, landscape architects, people experienced in education, and, of course, there are our foresters. What we all have in common is an open-minded attitude and a commitment to get things done.

We have a mission to deliver 'Better Woodlands for a Better Wales'. As the stewards of the Welsh woodland resource, we look for the opportunities woodlands offer to make a real difference to the life of the nation – helping to make us healthier, giving us space to play and learn, supporting jobs and businesses - while helping to protect nature and combat climate change.

The largest land manager in Wales, we plan, plant and maintain the forests on the 126,000 hectare Assembly woodland estate – an area almost twice the size of Anglesey. Originally planted solely for timber production, our management is now more sensitive to nature and our neighbours. We are reshaping these public woodlands to provide a better balance between the needs of people, the environment and the forest economy, with scores of programmes addressing this wide range of issues.

62% of Wales' woodlands lie outside the Assembly woodland estate of course, including most of Wales' ancient semi-natural woodland, as well as a significant area of farm woodland and more commercially managed forest. There are literally thousands of native woods on farms and elsewhere whose small size or inaccessibility make them difficult and expensive to manage. It is up to us to provide the right support that will encourage owners to manage their woodlands in innovative and sustainable ways, for the benefit of Wales as a whole.

We manage forests sustainably so that for generations to come they will continue to be the extraordinary rich source of the products and services we need for our everyday life. From timber products to soil protection and biodiversity, from renewable energy to places for outdoor recreation in beautiful landscapes, we are never shy about promoting the value of woodlands for Wales.

We'd be the first to admit that we don't do it all alone. We bring people together to create positive change – colleagues in government, charities, businesses or local people who want to get involved in doing something for their community.

Ours is a long-term business. We have plans for the future. Some of what we do is there to be enjoyed and experienced today. Some of it will grow on for future generations. We have to be able to balance current benefit and future needs in everything we do. This means being in touch with communities today, with changes in needs and demands and with national policies and plans for the future. And being responsive to them all. We want to develop an enhanced and expanding Welsh woodland resource that is adapted to the demands, and

better able to deliver the social, economic and environmental needs of Wales in the 21st Century.

### **Woodlands for Wales**

The Welsh Assembly set out its vision for forestry in Wales in 'Woodlands for Wales' (2001), to be implemented by all those in the forest sector and organisations with a forest interest. Their vision was woodlands providing real social and community benefits, both locally and nationally, whilst supporting thriving woodland-based industries and contributing to a better quality environment throughout Wales.

Our aims and objectives flow from Woodlands for Wales and from wider objectives of the Welsh Assembly Government, including One Wales and The Environment Strategy. Our core and all-embracing objective is to undertake and promote sustainable woodland management. As a predominantly rural activity, forestry plays a part in delivering rural development, but also has an increasingly important role in helping to deliver other objectives such as urban regeneration, and healthier lifestyles, as well as responding to climate change. We are looking at woodland productivity in the round – not only in terms of timber, but the whole range of market and public goods and services that woodlands can provide. These include soil and water management, biodiversity at a landscape level, access opportunities and landscape quality. The trade off between these goods and services need to be considered and the balance of provision agreed.

Our corporate plan sets out our priorities for action under these themes:

1. Sustainably managed woodlands
2. Woodlands supporting effective and durable communities
3. Woodlands making a positive contribution to a thriving and sustainable Welsh economy
4. Woodlands contributing to a more healthy and resilient environment
5. Effective and efficient customer focused delivery.

We also have our values – how we behave in fulfilling our priorities and objectives:

- **Teamwork** - Working as teams with colleagues and others to ensure that trees, woods and forests meet the needs of people in each part of the country.
- **Professionalism** - Enjoying and taking pride in our work, achieving high standards of quality, efficiency and sustainability.
- **Respect** - Treating one another with consideration and trust, recognising each person's contribution.
- **Communication** - Being open, honest and straightforward with colleagues and others, as willing to listen as to tell.
- **Learning** - Always learning, from outside the Forestry Commission as well as from within.
- **Creativity** - Not being afraid to try new ways of doing things.

## Management Commentary

Strategic Priorities - Progress on our Commitments in alphabetical order

|   |   |
|---|---|
| <p><b>Affordable Housing</b></p>          | <p>➤ We reached agreement on the sale of two sites with Tai Clwyd Housing Association in North Wales and Bro Dyfi Community Land Trust in Powys, which will lead to the provision of eight housing units. We also re-engaged with all local authorities in Wales to look at any further affordable housing opportunities.</p>   |
| <p><b>Better Woodlands for Wales</b></p>  | <p>➤ There was continuing strong demand for the scheme and we have now mapped over 600 schemes and area exceeding 26,000 hectares.</p>  |
| <p><b>Biofuel Supply</b></p>              | <p>➤ We introduced biofuel as a product which we harvest (some as brash bales) and created a working stock as part of the supply of 60,000 tonnes per year in anticipation of the commissioning of the Western Bioenergy Power plant at Port Talbot. The growth of the biofuel market created an opportunity for us to harvest areas which had been damaged by insects or fire.</p>   |
| <p><b>Communications and Branding</b></p> | <p>➤ We developed a Communications Strategy and are working with colleagues in Scotland and England to develop the Forestry Commission brand in a way that reflects our devolved status.</p>  |
| <p><b>Cydcoed</b></p>                     | <p>➤ Woodlands for All provides 100% grants and development and capacity building support for community groups in the Objective 1 region of Wales. HRH Prince Charles attended launch events at both the Fedw Hir project in Rhondda Cynon Taf and Llynnon Woodland Interpretation Centre, Ynys Mon. 57 projects were financially completed during the year.</p>  |
| <p><b>Equality and Diversity</b></p>      | <p>➤ We appointed a new GB diversity manager, who will continue to ensure that we promote diversity in policy development and delivery of services that meet the needs of all social groups. A suite of diversity training is being developed and rolled out for all staff. All senior managers in Wales participated in such a training event, identifying the leadership required to recognise the value of equality and diversity.</p> |
| <p><b>GATE</b></p>                        | <p>➤ The Gaining Added value for Timber in Europe (GATE) project ended in December and the final year saw an inter-regional ‘policy’ seminar held in Tallinn, Estonia in June. The seminar looked at the increasing use of timber in construction and a final closing conference was held in Cardiff in October.</p>  |

|   |  |
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| <p><b>Greenerways</b></p>   | <p>➤ We are engaged in the programme for delivering Greenerways initiatives, which will lead to Green Dragon status and CO<sup>2</sup> reductions in energy and administration travel of our back office functions.</p>  |
| <p><b>Long Term Contracts</b></p>   | <p>➤ Our programme of tenders for new long-term contracts for timber supplies continued during 2007/08. Our aim is to sell around half of the total production (~380,000m<sup>3</sup>) from Assembly woodlands through long term contracts in order to support investment in timber harvesting and processing in Wales.</p>  |
| <p><b>National Customer Service Centre and Voice Over Internet Protocol</b></p> | <p>➤ The National Customer Service Centre located near Llanrwst handled 43,189 calls during the year and met its key performance indicator of less than 5% of abandon calls. Telephone calls answered at the Customer Service Centre along with calls made between offices now use the Forestry Commissions computer network using a technology known as VOIP (Voice Over Internet Protocol) rather than the British Telecom public network. Looking forward we see Forestry Commission Wales extending the use of VOIP in the area of remote users and integrating the system with our email system</p> |
| <p><b>National Forest Estate Wind Farm Project</b></p>                          | <p>➤ The procurement process, which we are managing on behalf of the Welsh Assembly Government, is reaching its conclusion. Three out of the five preferred bidders signed options to develop wind farms in designated areas contained within the Strategic Search Areas identified in Technical Advice Note 8.</p>  |
| <p><b>Native Woodland Restoration</b></p>                                       | <p>➤ Two major European Union funded native woodland restoration projects with a value of £4.6 million – Meirionnydd Oakwood Habitat Management Project and Reclaiming our Forgotten Inheritance - contributed to 1,300 hectares of Upland Oakwood and Plantation on Ancient Woodland Sites throughout Wales being actively managed and undergoing woodland restoration.</p>   |
| <p><b>New Welsh Assembly Government Office in Aberystwyth</b></p>               | <p>➤ Construction started on the new building in Aberystwyth and Forestry Commission Wales are working closely with the Welsh Assembly Government Project Team to ensure the transition in 2009 will go smoothly for the 92 members of staff involved in the office transfer.</p>  |



|  |   |
|--|---|
| <p><b>Plant!</b></p>                                   | <p>➤ The First Minister launched Plant! in December with the planting of 14,800 native trees in South Wales. The aim is to plant a native tree for every child born or adopted by parents resident in Wales from 1 January 2008 onwards in order to raise environmental awareness and to encourage their interest in the benefits of trees and woodlands. Forestry Commission Wales worked closely with the Office for National Statistics who are undertaking the database searching and distribution of the notification documents to the new parents on our behalf.</p>                                    |
| <p><b>Policy and Programme Development</b></p>         | <p>➤ We increased the size of our Policy Team to 16 staff and broadened its remit to include the development of programmes. The team will strengthen the ability of Forestry Commission Wales to develop woodland policy on behalf of the Welsh Assembly Government and enable delivery against the strategic priorities set in the new strategy.</p>   |
| <p><b>Rivers and Recreation</b></p>                    | <p>➤ In partnership with the Countryside Council for Wales we investigated the potential to increase access to water for all users in the Mawddach river catchment in Coed y Brenin Forest. The aim of this project was to identify the opportunities and barriers for water users within waters under public ownership.</p>  |
| <p><b>Rural Development Plan and Paying Agency</b></p> | <p>➤ We worked closely with the Welsh Assembly Government to include Better Woodlands for Wales in the Rural Development Plan for Wales and ensure that woodland and forest owners can benefit from the Rural Development Plan support mechanisms. We also met with Rural Payments Division and are currently working on a range of administrative processes to ensure compliance with the regulations and ensure that we present a joined up approach with Rural Payments Division. The delegation of the grant payment functions status to Forestry Commission Wales has been extended to October 2009.</p> |
| <p><b>Visitor Centres</b></p>                          | <p>➤ Coed y Brenin near Dolgellau had its first full year of successful operation with over 120,000 visitors to the new site. The appointment of a Visitor Centre Manager has enabled the required focus and attention to be placed on these multi-million pound investments. Bwlch Nant yr Arian near Aberystwyth continued with its steady growth, and Garwnant near Merthyr Tydfil is undergoing complete refurbishment to add new elements to the site.</p>   |
| <p><b>Wales Forest Business Partnership</b></p>        | <p>➤ The partnership continued to evolve and in one key area will take on the task of adding value to timber that was being delivered through the European Union funded Gaining Added value for Timber in Europe project. The two main Wales Forest Business Partnership initiatives of Wood Knowledge Wales and Wood Source Wales will formally report next year.</p>  |

|   |   |
|---|---|
| <p><b>Wales Woodland Strategy</b></p>     | <p>➤ We are working closely with our Minister to develop the new strategy which meet the needs of the people of Wales in the future, and to ensure that trees and woodlands contribute to key agendas such as Climate Change. As part of the review we have engaged in extensive consultation with internal and external stakeholders and the Woodland Strategy Advisory Panel.</p>   |
| <p><b>Welsh Language Scheme</b></p>       | <p>➤ Our revised Welsh Language Scheme will allow us to develop our Welsh language skills and move towards becoming a truly bilingual organisation. We will self assess and work closely with the Welsh Language Board to monitor the key outputs, including a new Key Performance Indicator for 2008/09. We sponsored the 2-day Welsh Language Medium Environmental Conference in Llandrindod Wells convened by the Welsh Language Working Party, and have established a sponsorship scheme with the universities of Wales for bilingual students.</p> |
| <p><b>Wood Energy Business Scheme</b></p> | <p>➤ The Wood Energy Business Scheme (WEBS) generated a wide range of benefits including electricity generation and reducing emissions of CO<sup>2</sup>. Approximately 60 full time and 16 part time jobs were created or secured and we continue to develop a pan Wales successor scheme.</p>   |

## Key Performance Indicators - Performance against our targets - 2007/08

These targets were ratified by the National Committee for Wales in March 2007 and are structured around the themes within our Corporate Plan. Performance against the targets has been categorised as follows.

Achieved – All targets met or exceeded.

Not achieved – Targets not met or failure to report on performance

### 2007/08 Performance Reporting – KPI's and Targets aligned to Corporate Plan Indicators

| Forestry Commission Wales Corporate Strategic Area            | FCW Key Performance Indicator (KPI)   | Targets for FY2007/08               | 07/08 Result          | 06/07 Result Benchmark            |
|---|---|-------------------------------------|-----------------------|-----------------------------------|
| <b>Sustainable Forest Management</b>                          | KPI 1: UKWAS Certification of Assembly Woodlands  | Maintain certification              | Achieved              | Achieved Certification Maintained |
|   | KPI 2: Number of cases of significant non-compliance with approved design plans on the Assembly woodland estate                   | Zero                                | Achieved              | Achieved Target as 07/08          |
|   | KPI 3: % Estate woodland maintained as identified for conversion to LISS in Design Plans  | = to or > 33% of woodland on Estate | Achieved 36%          | Achieved 34% Target as 07/08      |
|   | KPI 4: % Area of estate woodland identified for conversion to LISS that has been thinned in year                                  | 2500 Ha.                            | Achieved 3700 Ha      | No corresponding KPI              |
| <b>Woodlands Supporting Effective and Durable Communities</b> | KPI 5: Area of woodland entered to Better Woodlands for Wales (approved schemes)  | 10,000 Ha.                          | Not Achieved 6,537 Ha | No corresponding KPI              |
|   | KPI 6: Percentage of Scheduled Ancient Monuments on estate with approved plans (new designations must have plans within 9 months) | 100%                                | Achieved 100%         | Achieved Target as 07/08          |

| Forestry Commission Wales Corporate Strategic Area                   | FCW Key Performance Indicator (KPI)   | Targets for FY2007/08   | 07/08 Result   | 06/07 Result Benchmark                             |
|--|---|---|--|--|
| <b>Woodlands Supporting Effective and Durable Communities</b>        | KPI 7: Quality of Forest Visit Experience score   | Baseline assessment in 2007/08 with a 5 year rolling portfolio of monitoring  | Achieved   | No corresponding KPI                               |
|  | KPI 8: Number of Community Management Agreements in place on Estate [baseline figure for 2006/07 was 17 agreements] | 19 separate agreements  | Achieved 22 agreements   | KPI with no fixed target – 11 agreements finalised |
|  | KPI 9: Number of community development projects completed through Cydcoed   | 81 projects   | Not Achieved 57 projects financially complete  | No corresponding KPI                               |
| <b>Woodlands making a positive contribution to the Welsh economy</b> | KPI 10: Total volume harvested from Estate by silvicultural method  | ± 5% of 770,000 m <sup>3</sup> obs Total<br>± 5% of 590,000 m <sup>3</sup> obs from clearfell<br>= to or + 10% of 180,000 m <sup>3</sup> obs from thinnings [All 3 targets of equal precedence] | Not Achieved 680,000 m <sup>3</sup> (88% of BP due to shortfall in clear felling with thinning programme achieved) | Achieved KPI of 770,000m <sup>3</sup>              |
|  | KPI 11: Percentage of SSSIs on estate with approved plans (new designations must have plans within 9 months)        | 100%<br>19 plans for approval in year   | Not Achieved 17 plans approved an 2 plans not approved   | Not Achieved 1 plan not approved                   |
|  | KPI 12: Area of PAWS on Estate identified for restoration that has received an intervention in year                 | 1000 Ha.  | Achieved 1952 Ha   | No corresponding KPI                               |

| Forestry Commission Wales Corporate Strategic Area            | FCW Key Performance Indicator (KPI)   | Targets for FY2007/08  | 07/08 Result   | 06/07 Result Benchmark  |
|---|---|--|--|---|
| Woodlands making a positive contribution to the Welsh economy | KPI 13: National Forest Estate Wind Farm Programme progress   | No specific target but progress will continue to be reported to all Management Board and National Committee meetings | Achieved<br>Progress update provided to all meetings | Different KPI on option agreements which was not achieved       |
|   | KPI 14 : Number of Wood Energy projects completed through WEBS  | 65 projects  | Achieved<br>98 projects completed                    | No corresponding KPI  |
|   | KPI 15: Percentage of cases of alleged illegal felling that are investigated by G&L and percentage of satisfactory outcomes   | 100% and 80%   | Achieved<br>100% and 100%                            | Achieved<br>100% and 100%<br>Target as 07/08                    |
| Departmental and Corporate Processes                          | KPI 16: % 'Dropped' calls [Dropped calls are those where the caller rings off after > 30 seconds of ringing]  | < 5% of Total calls to be dropped  | Achieved<br>3.74% dropped calls                      | No corresponding KPI  |
|   | KPI 17: % of FOI /EIR requests that are dealt with within statutory deadline of 20 working days   | 100%   | Achieved<br>11 FOI requests                          | Not Achieved<br>14 FOI requests - deadline on 1 request not met |
|   | KPI 18: Percentage of new starter turnover or 'Rookie Rate' [those staff who leave within 2 years, either from a permanent contract or from an FTA that is longer than 2 years] | < or = to 10%  | Achieved<br>1 rookie staff member left (<10%)        | No corresponding KPI  |

| Forestry Commission Wales Corporate Strategic Area | FCW Key Performance Indicator (KPI)  | Targets for FY2007/08                 | 07/08 Result                 | 06/07 Result Benchmark                       |
|--|--|---------------------------------------|------------------------------|--|
|  | KPI 19: Staff absence days per staff year  | < 8.0                                 | Achieved<br>7.0 days         | Achieved<br>4.9 days<br>Target as 07/08      |
| Departmental and Corporate Processes               | KPI 20: PMS standards met [Agreed FJPs, Review meetings on schedule and ILPs in place] | > 95% compliance                      | Achieved<br>> 95% compliance | Achieved Target as 07/08                     |
|  | KPI 21: Outturn compared to budget   | Between 95% and 100%                  | Achieved                     | Achieved Target as 07/08                     |
|  | KPI 22: Welsh Assembly Government Funding  | Live within 1% of Assembly Cash Limit | Achieved<br>1% target met    | Achieved<br>1% target met<br>Target as 07/08 |
|  | KPI 23: Utilisation of Private Woodland grants budget                                  | > 90% spend of budget                 | Not Achieved<br>88%          | No corresponding KPI                         |
|  | KPI 24: Adherence to agreed spending profile for European funded projects              | > 90% compliance                      | Achieved                     | No corresponding KPI                         |

## **INTERNAL AUDIT CERTIFICATE OF ASSURANCE**

Performance against the key performance indicators and targets shown in these accounts has been subject to independent audit by the Forestry Commission's Internal Audit unit. The achieved targets have been validated against appropriate source data.

From our testing I am satisfied that the reported achievement against these targets is a true and fair view of Forestry Commission Wales' performance in these areas in 2007/08.

Liz Holmes  
Head of Internal Audit  
Forestry Commission

01 July 2008

## **Corporate, Social and Environmental Responsibility**

### **Sustainable development**

#### **Environmental Sustainability**

All our woodlands are independently certified as sustainable through the United Kingdom Woodland Assurance Standard. However, the standard does not address the sustainable management of our 'back office functions'. These functions include building construction, waste management, water and energy use, travel and transport. Our Greenerways project is about how we manage our sustainable development commitments in terms of our staff and places of work and we have set challenging performance targets starting in 2008/09 and looking ahead.

#### **Climate Change**

In November Forestry Commission Wales contributed to the conference 'A Convenient Truth', in London, which was hosted by Forestry Commission GB. Attended by the UK Government's Environment Minister Phil Woolas, and Forestry Commission Director-General, Tim Rollinson, the conference brought together leading scientists and policymakers from across Great Britain to discuss the potential role the forestry sector can play in tackling the dangers of climate change. Climate change is the greatest challenge facing the world today. Forests in Britain have a role to play and the work of the Forestry Commission makes a difference. Details about what the Commission is doing for climate change can be found on our website at <http://www.forestry.gov.uk/forestry/infd-6umkar>.

### **Partnerships and communities**

#### **Social Sustainability**

We launched our Working with Communities Strategy in February as part of listening to and working with local people, national stakeholders and urban and rural communities. All public forests in Wales have a forest design plan which is fully reviewed every ten years. Our staff carry out local area consultations on each of these plans to provide opportunities for communities to have their say in the management of woods close to where they live. Much of our work would not be possible without effective partnerships at local, national and international level.

### **Staff**

#### **Employment Policies**

We value and respect all employees, recognising that each person is different and everyone's contribution is important. We value diversity in our workforce and our employment policies seek to ensure that in all aspects of our business we do not discriminate against anyone on grounds of their age, gender, ethnic origin, disability, nationality, sexual orientation, marital status or religious beliefs.

#### **Learning and Development**

Our Learning and Development service has been re-organised to increase the effectiveness of the services provision while being more efficient with current resources. As well as continuing to deliver core traditional products, Learning and Development has been aiming to find the right solution to fill the skills or knowledge gap, clarifying training course ownership, reducing waiting times and further involvement in new initiatives.



Throughout the year, Learning and Development has been aiming to be proactive in supporting the needs of the organisation. Some examples of delivery in 2007/08 included:

- Creation of an organisational competency framework.
- Development of a Management Development Programme for Forestry Commission Wales middle managers to be implemented in 2008/09.
- Roll out of Diversity and Equality Training in conjunction with our newly appointed Diversity Manager based in Silvan House, Edinburgh.

## **Health and Safety - Policy and Programmes**

### Policy

It is our policy to ensure the health and safety of all our employees, and to provide appropriately for the health and safety of others, including contractors, visitors, neighbours and members of the public who use the Assembly woodlands.

### Programmes

During the year the Safety, Health & Environment introduced systems to improve the way we manage our employees exposure to vibration and noise at work. Next year we plan to contribute to a project to improve the way we manage health and safety in construction work.

## Leadership and Governance

### Ministers

The Ministers who had responsibility for Forestry Commission Wales during the year were:

| <b>Ministers during the year were:</b> |   |
|--|---|
| <b>Carwyn Jones AM</b>                 | Minister for Environment, Planning and Countryside (until 3rd May 2007 Election)        |
| <b>Tasmin Dunwoody AM</b>              | Deputy Minister for Environment, Planning and Countryside (until 3rd May 2007 Election) |
| <b>Jane Davidson AM</b>                | Minister for Sustainability and Rural Development (from July – August 2007)             |
| <b>Elin Jones AM</b>                   | Minister of Rural Affairs (from September 2007)   |

### Boards, Committees and Panels

#### Forestry Commissioners and Permanent Head of the Department

The Board of Commissioners gives strategic direction to the Forestry Commission and takes decisions on not-devolved or co-ordinated functions. It has a part time non-executive Chairman, Rt. Hon Lord Clark of Windermere, and the Director General, Tim Rollinson, as Permanent Head of the Department, acts as Deputy Chairman. Forestry Commission Wales is represented on the Board of Commissioners by Trefor Owen, Director Forestry Commission Wales and our two Non-executive Commissioners Jon Owen Jones and Judith Webb.

#### National Committee for Wales

The Committee is appointed under Section 2(3) of the Forestry Act 1967 to, inter alia, undertake any of the functions of the Forestry Commissioners that they may delegate, subject to any restrictions or conditions as they see fit. The Committee met seven times during the year in and a full record of papers and minutes can be found on the website.

| <b>Members during the year were:</b> |   |
|--------------------------------------|---|
| <b>Jon Owen Jones</b>                | Chair and Non-executive Commissioner for Wales  |
| <b>Judith Webb</b>                   | Non-executive Commissioner for Wales  |
| <b>Huw Brodie</b>                    | Director Department for Rural Affairs   |
| <b>Roger Cooper</b>                  | Chair, Woodland Strategy Advisory Panel   |
| <b>Geraint George</b>                | Director of Postgraduate Diploma/Masters in Countryside Management, Bangor University   |
| <b>Ian Forshaw</b>                   | Director, Forestry Commission Wales and Executive Commissioner, Deceased September 2007 |
| <b>Trefor Owen</b>                   | Head of Estate Management, Forestry Commission Wales –                                  |

|                     |   |
|---------------------|---|
|                     | until 25th September 2007. Acting Director, Forestry Commission Wales – from 25th September 2007 until 18th March 2007. Director Forestry Commission Wales – from 19th March 2007 |
| <b>Peter Garson</b> | Acting Head of Estate Management – from 25th September 2007   |
| <b>Jon Westlake</b> | Wind Farm Programme Executive – until 17th September 2007   |

### **Forestry Commission Wales Management Board**

The Board was established as a monitoring and decision-making forum, maintaining an overview of the business systems and administrative arrangements underpinning the functioning of Forestry Commission Wales and its relationship with stakeholders. It met nine times during the year and the agendas and minutes of meetings are published on the website.

|                                      |  |
|--------------------------------------|--|
| <b>Members during the year were:</b> |  |
| <b>Ian Forshaw</b>                   | Director, Forestry Commission Wales and Executive Commissioner, Deceased September 2007  |
| <b>Trefor Owen</b>                   | Head of Estate Management, Forestry Commission Wales – until 25th September 2007. Acting Director, Forestry Commission Wales – from 25th September 2007 until 18th March 2007. Director Forestry Commission Wales – from 19th March 2007 |
| <b>Peter Garson</b>                  | Head of Grants & Licences – until 25th September 2007. Acting Head of Estate Management – from 25th September 2007   |
| <b>Derek Stephen</b>                 | Head of Finance & Information and Communication Technology   |
| <b>Clive Thomas</b>                  | Head of Secretariat & Communications – until 30th August 2007. Head of Policy and Programming Development Team – from 1st September 2007   |
| <b>Clare Lewis</b>                   | Head of Human Resources  |
| <b>Terry O'Keefe</b>                 | Head of Secretariat & Communications – from 1st September 2007   |
| <b>Richard Siddons</b>               | Acting Head of Grants & Licences – from 25th September 2007  |
| <b>Chris Edwards</b>                 | Head of Policy and Programming Development Team – until 1st September 2007   |
| <b>Jon Westlake</b>                  | Wind Farm Programme Executive – until 17th September 2007  |

A register of interests is maintained and can be accessed on the Forestry Commission website ([www.forestry.gov.uk](http://www.forestry.gov.uk)).

### **Woodland Strategy Advisory Panel**

This panel which has the *purpose 'To act as an Advisory Panel to both Ministers and Forestry Commissioners on the implementation of the Wales Woodland Strategy and its periodic reviews'* was re-appointed for a five year term from 1 January 2007. Although the Panel is voluntary, the appointment process followed the advice for full public appointments including press advertising.

Membership as at 31 March 2008:

|                             |                  |                   |
|-----------------------------|------------------|-------------------|
| Roger Cooper – <b>Chair</b> | David Hughes     | Phil Morgan       |
| Nigel Ajax-Lewis            | Chris Inglis     | Sue Gittens       |
| Professor Colin Price       | Oliver Coombe    | David Jenkins     |
| Gareth Price                | Dr John Edington | John Lloyd-Jones  |
| Dr Tim Stowe                | Helena Fox       | Tim Kirk          |
| Celia Thomas                | Rory Francis     | Bernard Llewellyn |
| Bob Vaughan                 | Dr Alun Gee      | Hilary Miller     |

The Panel met three times during the year in May, September and March. The work of the Panel was dominated during the year in the provision of advice on the ongoing review of Woodlands for Wales.

### **Corporate Governance**

The Statement on Internal Control (SIC) provides a summary of the way in which Forestry Commission Wales manages its Governance and Internal Control. Forestry Commission Wales has applied the principles of the Treasury's Code of Good Practice for Corporate Governance in the context of its own circumstances.

### **Risk Management Policy**

The Risk Management Policy of Forestry Commission Wales is to be fully committed to effective Risk Management, adopting best practice in the identification, evaluation and control of risks, in order to:

- Integrate risk management into the culture of Forestry Commission Wales
- Eliminate or reduce risks to an acceptable level
- Anticipate and respond to changing social, environmental and legislative requirements
- Prevent injury and damage and reduce the cost of risk
- Raise awareness of the need for risk management

By adopting its Risk Management Policy, Forestry Commission Wales recognises risk management as a key function in helping to ensure it achieves its aims and objectives.

Forestry Commission Wales recognised a weakness in its Risk Management Framework in last years Annual Report and Accounts and has been addressing the implementation of Business Continuity Plans during the year just ended. These plans have to take account of local circumstances plus integration with organisational wide systems. Whilst a great deal of progress has been made in terms of planning for eventualities at the local level, and plans put in place

across Forestry Commission Wales, working within the wider Forestry Commission GB environment will continue to refine and develop integration with system based Business Continuity Plans.

The Audit and Risk Committee (ARC) as a sub-committee of the National Committee supports them in their responsibilities for the effective management of risk, control and governance. Through its work the ARC provides independent assurance to the National Committee on these key activities which support the achievement of country objectives. The ARC operates in accordance with the principles contained in the Treasury's Audit Committee Handbook.

## Appendices

### Appendix 1 – Better Woodland for Wales (BWW), Woodland Grant Scheme (WGS) and Felling Licence Statistics

**Table 1 – Grant and Felling Licence applications and Applicants Charter Performance during 2007/08**

|   | Measure / Target            | 2005/06    | 2006/07           | 2007/08           |
|---|-----------------------------|------------|-------------------|-------------------|
| <b>Better Woodland for Wales Applications</b> | Number received             | -          | 412               | 453               |
|   | Processed in under 11 weeks | -          | No data available | No data available |
| <b>Felling Licence Applications</b>           | Number received             | 251        | 318               | 305               |
|   | Acknowledged within 3 days  | 237 (97%)  | 315 (99%)         | 99%               |
|   | Processed in under 10 weeks | 157 (62%)  | 311 (98%)         | 79%               |
| <b>Better Woodland for Wales Grant Claims</b> | Number received             | -          | -                 | 288               |
|   | Paid in under 28 days       | -          | -                 | 273               |
| <b>WGS Grant Claims</b>                       | Number received             | 1192       | 1174              | 653               |
|   | Paid in under 28 days       | 1035 (87%) | 808 (69%)         | 78%               |

**Table 2 – Area of new planting and associated grants paid during 2007/08**

| Year           | Conifer               | Broadleaved       | Total           |
|----------------|-----------------------|-------------------|-----------------|
| <b>2007/08</b> | BWW No data available | No data available | 61ha (£78K)     |
|                | WGS 2ha (£8K)         | 202ha (£450K)     | 507ha (£458K)   |
| <b>2006/07</b> | 37ha (£31K)           | 382ha (£855K)     | 419ha (£886K)   |
| <b>2005/06</b> | 7ha (£31K)            | 441ha (£1,081K)   | 448ha (£1,112K) |
| <b>2004/05</b> | 13ha (£66K)           | 521ha (£1,406K)   | 534ha (£1,472K) |
| <b>2003/04</b> | 26ha (£69K)           | 443ha (£1,084K)   | 469ha (£1,153K) |
| <b>2002/03</b> | 41ha (£39K)           | 281ha (£574K)     | 322ha (£613K)   |

These figures include challenge funded planting, and variation in cost per hectare is a result of differences in scheme sizes

**Table 3 – Area of challenge funded new planting paid through WGS during 2007/08 (not applicable to BWW)**

| Year    | Native woodland expansion | New woodlands for quality timber |
|---------|---------------------------|----------------------------------|
| 2007/08 | 70ha                      | N/A                              |
| 2006/07 | 216ha                     | 16ha                             |
| 2005/06 | 178ha                     | 60ha                             |
| 2004/05 | 161 ha                    | 118 ha                           |
| 2003/04 | 154 ha                    | 76 ha                            |
| 2002/03 | 11 ha                     | 0 ha                             |

**Table 4 - Area of restocking and associated grants paid during 2007/08**

| Year    | Conifer                | Broadleaved        | Total         |
|---------|------------------------|--------------------|---------------|
| 2007/08 | BWW Data not available | Data not available | 439ha (£418K) |
|         | WGS 463ha (£120K)      | 288ha (£188K)      | 750ha (£308K) |
| 2006/07 | 667ha (£354K)          | 248ha (£281K)      | 915ha (£635K) |
| 2005/06 | 508ha (£284K)          | 214ha (£233K)      | 722ha (£517K) |
| 2004/05 | 353ha (£228K)          | 285ha (£304K)      | 638ha (£532K) |
| 2003/04 | 221ha (£107K)          | 168ha (£147K)      | 389ha (£254K) |
| 2002/03 | 493ha (£208K)          | 166ha (£135K)      | 659ha (£343K) |

**Table 5 - Analysis of action in relation to alleged illegal felling during 2006/07**

| Description                   | Cases |
|-------------------------------|-------|
| Reported                      | 29    |
| Investigated by FC Wales      | 29    |
| <b>8 cases taken forward*</b> |       |
| Warning Letter sent           | 3     |
| Restock Notices issued        | 5**   |

\* 21 cases required no further action after investigation

\*\* 1 further proposed prosecution / restock notice not taken forward as site ownership could not be established

## Appendix 2 – National Forest Estate Statistics

**Table 6 - Key statistics for the National Forest Estate**

|                                  |                       | 2001/02 | 2002/03 | 2003/04 | 2004/05 | 2006/07 | 2007/08 |
|----------------------------------|-----------------------|---------|---------|---------|---------|---------|---------|
| <b>Total area managed</b>        | Thousand hectares     | -       | -       | 125     | 126     | 124     | 124     |
| <b>Wooded land</b>               | Thousand hectares     | -       | -       | 109     | 109     | 107     | 107     |
| <b>Disposals</b>                 | Hectares              | 399     | 57      | 11      | 8       | 524     | 78      |
|                                  | No. of Woods          | 9       | 3       | 1       | 1       | 6       | 1       |
| <b>Harvesting</b>                |                       |         |         |         |         |         |         |
| Volume of clearfell              | Thousand cubic metres | 825     | 939     | 874     | 655     | 559     | 493     |
| Volume of thinning               | Thousand cubic metres | 164     | 190     | 181     | 289     | 193     | 187     |
| Area of thinning                 | Hectares              | 2882    | 3814    | 3628    | 5773    | 3859    | 3736    |
| Standing sales                   | Thousand cubic metres | 590     | 475     | 502     | 468     | 416     | 384     |
| Direct production                | Thousand cubic metres | 399     | 655     | 554     | 476     | 336     | 297     |
| <b>TOTAL</b>                     | Thousand cubic metres | 989     | 1130    | 1056    | 944     | 752     | 681     |
| <b>Planting</b>                  |                       |         |         |         |         |         |         |
| Area of new planting             | Hectares              | -       | -       | 0       | 0       | 0       | 0       |
| Area of restocking after felling | Hectares              | -       | -       | 1395    | 1340    | 1672    | 1458    |



### Appendix 3 – Key staff and customer statistics

**Table 7 – Key staff statistics as at 31st March 2008**

| Year                     | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 |
|--------------------------|---------|---------|---------|---------|---------|
| FC Wales staff*          | 434     | 415     | 392     | 376     | 376     |
| FC Wales staff**         | 382     | 370     | 350     | 337     | 338     |
| Staff absence rate***    | 8.3     | 8.6     | 7.9     | 4.9     | 7.0     |
| Welsh speaking staff**** | 119     | 113     | 106     | 110     | 108     |

\* Staff numbers based on Head count

\*\* Excludes Business units and Forest Research

\*\*\* Average days absence per staff member per year

\*\*\*\* Fluent speakers

**Table 8 – Accident rate for employees and members of the public during 2007/08**

| Year      | No. of accidents per 100 employees | Accidents reported by members of the public |      |       |
|-----------|------------------------------------|---|------|-------|
|           |                                    | By type                                     |      | Total |
| 2007-2008 | 1.48                               | Cycling                                     | 97** | 115   |
|           |                                    | Slips & Trips                               | 5    |       |
|           |                                    | Play Equipment                              | 1    |       |
|           |                                    | Others                                      | 10   |       |
|           |                                    | Horses                                      | 2    |       |
| 2006-2007 | 0.30                               | Cycling                                     | 86   | 97    |
|           |                                    | Slips & Trips                               | 1    |       |
|           |                                    | Play Equipment                              | 1    |       |
|           |                                    | Others                                      | 8    |       |
|           |                                    | Horses                                      | 1    |       |
| 2005-2006 | 0.86                               | Cycling                                     | 40   | 52    |
|           |                                    | Slips & Trips                               | 6    |       |
|           |                                    | Play Equipment                              | 0    |       |
|           |                                    | Other                                       | 5    |       |
|           |                                    | Horses                                      | 1    |       |
| 2004-2005 | 0.27                               | Cycling                                     | 18   | 27    |
|           |                                    | Slips & Trips                               | 1    |       |
|           |                                    | Play Equipment                              | 0    |       |
|           |                                    | Other                                       | 6    |       |
|           |                                    | Horses                                      | 2    |       |
| 2003-2004 | 1.31                               | Cycling                                     | 14   | 22    |
|           |                                    | Slips & Trips                               | 1    |       |
|           |                                    | Play Equipment                              | 0    |       |
|           |                                    | Other                                       | 4    |       |
|           |                                    | Horses                                      | 3    |       |

\* There is increased emphasis on reporting accidents

\*\* There has been a large increase in the number of mountain bike trails across the FCW Estate including downhill courses

**National Office** as at 31st March 2008

|                  |  |
|------------------|--|
| Trefor Owen*     | Director Wales                           |
| Peter Garson*    | Acting Head of Estate Management         |
| Richard Siddons* | Acting Head of Grants and Licences       |
| Jon Westlake     | National Forest Estate Wind Farm Project |
| Clive Thomas*    | Policy and Programmes                    |
| Clare Lewis*     | Human Resources                          |
| Derek Stephen*   | Finance & ICT                            |
| Terry O'Keefe*   | Secretariat and Communications           |
| Ian Shaw         | Country Land Agent                       |

\*Management Board members as at 31<sup>st</sup> March 2008

The board met nine times during the year in April, May, July, September, October, November, January and February.

**Management Forum** as at 31st March 2008

The Management Forum is the grouping of all senior and middle managers (including the Management Board) that meet regularly to discuss corporate and strategic management issues affecting the organisation. The forum met 4 times during the year.

|                    |  |
|--------------------|--|
| Trefor Owen        | Director Wales                           |
| Peter Garson       | Acting Head of Estate Management         |
| Richard Siddons    | Acting Head of Grants and Licences       |
| Greg Vickers       | Grants and Licences                      |
| Jon Westlake       | National Forest Estate Wind Farm Project |
| Sally Tansey       | National Forest Estate Wind Farm Project |
| Clive Thomas       | Policy and Programmes                    |
| Sue Ginley         | Policy and Programmes                    |
| Mike Pitcher       | Policy and Programmes                    |
| Paul Finch         | Policy and Programmes                    |
| Michelle Bromley   | Policy and Programmes                    |
| Chris Jones        | Policy and Programmes                    |
| Clare Lewis        | Human Resources                          |
| Liz Cookson        | Human Resources                          |
| Derek Stephen      | Finance & ICT                            |
| Paul Subacchi      | Finance & ICT                            |
| Terry O'Keefe      | Secretariat and Communications           |
| Debbie Westlake    | Secretariat and Communications           |
| Sam Argent         | Secretariat and Communications           |
| James Laing        | Secretariat and Communications           |
| Rachel Chamberlain | FDM, Coed y Gororau                      |
| Ruth Jenkins       | FDM, Coed y Mynydd                       |
| Dai Jones          | FDM, Llanymddyfri                        |
| Antony Wallis      | FDM, Coed y Cymoedd                      |
| Hugh Jones         | Harvesting and Marketing                 |
| Bill MacDonald     | Harvesting and Marketing                 |
| Ian Shaw           | Country Land Agent                       |
| David Cross        | Silvicultural Operations                 |
| Stephen Buckley    | Social Forestry                          |
| John Browne        | Forest Planning                          |
| Barbara Anglezarke | Programme Manager, Cydcoed               |
| Bruce Cochrane     | Mechanical Engineering Services          |
| Gordon Adam        | Safety, Health and Environment           |



Comisiwn Coedwigaeth Cymru  
Forestry Commission Wales

# **FORESTRY COMMISSION WALES**

## **RESOURCE ACCOUNTS 2007-08**

## MANAGEMENT COMMENTARY

### Basis of Accounts

The Forestry Commission Wales Resource Accounts are prepared in accordance with the Accounts Direction issued by HM Treasury under Paragraph 5 of Schedule 7 to the Government of Wales Act 1998.

### Departmental Accounting Boundary

These accounts incorporate the core-department, Forestry Commission Wales.

### Financial Review

Forestry Commission Wales received net funding from Welsh Assembly Government of £31.4 million to manage its forest estate which delivers a wide range of public benefits and to grant aid to the private sector forestry in Wales.

Forestry Commission Wales timber sales generated £10.2 million income from a harvest of 681,000 cubic metres with other sources of income from forest based activities adding a further £3.9 million. Timber prices were higher than anticipated whilst associated operational costs were impacted upon by the general increase in fuel costs and general inflation.

A number of EU funded projects were completed with a total grant spend of £7.9m and a further £3.3m of Woodland Grant payments.

### Significant variances against Estimate

£million

|                             | <u>Estimate</u> | <u>Outturn</u> | <u>Difference</u> |
|-----------------------------|-----------------|----------------|-------------------|
| <b>Total resource</b>       | 31.4            | 28.0           | 3.4               |
| <b>Net cash requirement</b> | <u>22.9</u>     | <u>22.1</u>    | <u>0.8</u>        |

The difference between estimate and net total resource outturn of £3.4 million is principally due to:

- Increased operational income of £1.6m arising from improved timber prices and windfall income from Estates based activities £0.6m which allowed for investment in both our Roads infrastructure £0.2m and Protection & Maintenance of the Forest Estate £0.5m and a further £1.2m being released back to the Welsh Assembly Government in October 2007.
- The completion of EU grant projects which realised reciprocal EU grant claims of £2.2m and the Cost of Capital being £1.0m below estimate despite there being a 67% increase in the value of the Forest Estate.
- Increased income from Capital Asset Sales of £0.2m utilised for the replacement of Silvicultural machinery £0.2m and continued investment in our Visitor Centre infrastructure £0.2m.

The £0.8 million difference between estimate and the outturn net cash requirement represents deferred income as detailed in note 15 to the accounts.

## **Future Events**

### **National Forest Estate Wind Farm Programme**

Three out of the five preferred bidders signed options to develop wind farms in designated areas contained within the Strategic Search Areas identified in Technical Advice Note 8 with the remaining 2 due to sign in the coming weeks. The successful bidders will now begin the process of applying for planning consent and conducting Environmental Impact Assessments.

### **Access to Inland Water**

In partnership with the Countryside Council for Wales we have investigated the potential to increase access to water for all users in the Mawddach river catchment in the Coed y Brenin Forest. The aim of this project was to identify the opportunities and barriers for water users within waters under public ownership.

### **Affordable Housing**

We reached agreement on the sale of two sites with Tai Clwyd Housing Association in North Wales and Bro Dyfi Community Land Trust in Powys, which will lead to the provision of eight housing units. We also continue to engage with all local authorities in Wales to look at any further affordable housing opportunities.

### **Biofuel Supply**

The growth of the biofuel market has created an opportunity for us to harvest areas, which have been damaged by insects or fire. The stockpiling of timber for the Bioenergy Power plant at Port Talbot has commenced to ensure we are able to meet our contractual commitments for supply which commence in the second quarter of 2008.

### **New Welsh Assembly Office in Aberystwyth**

Construction is now underway with a projected completion date of March 2009 and the official opening scheduled for July later that year. We will be focussing on the practical arrangements that need to be made to allow for a smooth transition to the new building, which will see some 400+ Welsh Assembly Government staff located at the new site.

### **Equality & Diversity**

We will continue to ensure that we promote diversity in policy development and delivery of services that meet the needs of all social groups. A suite of diversity training is being developed and rolled out for all staff. All senior managers in Wales participated in such a training event, identifying the leadership required to recognise the value of equality and diversity.

### **Greenerways**

We are engaged in the programme for delivering Greenerways initiatives, which will lead to Green Dragon status and CO<sup>2</sup> reductions in energy and administration travel of our back office functions.

### **Other Disclosures**

#### **Research and Development**

Forest Research, an executive agency of the Forestry Commission, is responsible for carrying out forest research and allied work. Although forestry is a devolved subject, Forest Research continues to be funded from Westminster. More information on the work of Forest Research can be found on the Forestry Commission website <http://www.forestry.gov.uk/research>.

## **Pensions**

Information on pensions is contained in the Remuneration Report and accounting policy note 5

## **Supplier Payment Policy**

Forestry Commission Wales complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2007-08 indicates that 99.1% of invoices were paid within the due date.

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

## **Auditors**

The accounts of Forestry Commission Wales are audited by the Auditor General for Wales.

## **Disclosure of audit information to the auditors**

So far as the Accounting Officer is aware, there is no relevant audit information of which the Forestry Commission Wales auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make him self aware of any relevant audit information and to establish that the Forestry Commission Wales auditors are aware of that information.

Trefor Owen  
Accounting Officer  
01 August 2008

## REMUNERATION REPORT

### Remuneration policy

Fees for non-executive Commissioners are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprises the Chairman, Director General, Director Scotland, Director England, and three other non-executive Commissioners. The Chairman and non-executive members determine the Director General's pay. The Chairman, Director General and non-executive Commissioners take decisions in respect of Country Directors. The entire committee takes decisions on the remaining senior staff posts.

In reaching its decisions on individuals' salary and bonus, the Senior Pay Committee has regard to the following considerations:

- Guidelines circulated by the Cabinet Office implementing Government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the Government on the shape of the system. This includes the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further information on the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com).
- Reporting Officers recommendations on the relative performance of each of their senior staff, whether a bonus should be paid and if so whether low or high. The Senior Pay Committee consider the recommendations, determine the allocation of senior staff to tranches, and decide the percentage increase to salary and any bonus to be awarded.

Remaining Committee and Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining with the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Monitoring System (PMS) of the Forestry Commission. Their increase in salary and performance bonus, if awarded, is based on their manager's assessment of their performance.

### Employment contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the senior staff covered in this report hold appointments that are open-ended until they reach the normal retiring age, with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Non-executives are generally appointed for a fixed term of three years with a maximum notice period of 1 month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation.

Details of the letters of appointment for the non-executive Commissioners and National Committee members who served during the year are:

|                        | <b>Date of current contract/letter</b> | <b>Unexpired term (months*)</b> |
|------------------------|--|---------------------------------|
| Jon Owen Jones         | 18/1/2007                              | 21.5                            |
| Judith Webb            | 18/1/2007                              | 21.5                            |
| Gareth Jones OBE       | 1/10/2003                              | -                               |
| Professor Roger Cooper | 1/1/2007                               | 9                               |
| Geraint George         | 1/10/2006                              | 18                              |

## Salary and pension entitlements \*

The salary and pension entitlements of National Committee and Management Board members were as follows:

|                 | 2007-08            |  | 2006-07            |  |
|-----------------|--------------------|--|--------------------|--|
|                 | Salary<br>£000     | Benefits<br>in kind<br>to<br>nearest<br>£100 | Salary<br>£000     | Benefits<br>in kind<br>to<br>nearest<br>£100 |
| Ian Forshaw     | 55-60 <sup>1</sup> | 100  | 80-85              | 800  |
| Trefor Owen     | 60-65              | -  | 50-55              | -  |
| Jon Westlake    | 55-60              | 1,400  | 50-55              | 1,400  |
| Derek Stephen   | 45-50              | -  | 40-45              | -  |
| Claire Lewis    | 35-40              | -  | 10-15 <sup>2</sup> | -  |
| Peter Garson    | 50-55              | -  | 40-45              | -  |
| Clive Thomas    | 50-55              | 13,400                                       | 45-50              | 15,200                                       |
| Terry O'Keefe   | 25-30 <sup>3</sup> | -  | n/a                | n/a  |
| Richard Siddons | 20-25 <sup>5</sup> | -  | n/a                | n/a  |
| Chris Edwards   | 50-55              | -  | 40-45 <sup>4</sup> | -  |

## Salary

'Salary' includes basic salary; performance pay or bonus; overtime and any allowances subject to UK taxation. This report is based on payments made by Forestry Commission Wales and thus recorded in these accounts.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as taxable income. Benefits in kind are given in the form of the private use of a car and house purchase loans.

## Pension benefits \*

|  | Accrued<br>pension at age<br>60 at 31 March<br>2008 and<br>related lump<br>sum<br>£000 | Real<br>increase in<br>pension and<br>related lump<br>sum at age<br>60<br>£000 | CETV at<br>31 March<br>2008<br>£000 | CETV at<br>31 March<br>2007**<br>£000 | Real increase in<br>CETV<br>£000 | Employer<br>contribution to<br>partnership<br>pension account<br>Nearest £100 |
|--|--|--|-------------------------------------|---------------------------------------|----------------------------------|---|
| Ian Forshaw<br>(until 20 September 2007) | 25-30 plus LS<br>of 85-90  | 0-2.5 plus<br>LS of 0-2.5  | 528                                 | 508                                   | 7                                | -   |
| Jon Westlake                             | 15-20 plus LS<br>of 55-60  | 0-2.5 plus<br>LS of 0-2.5  | 380                                 | 319                                   | 14                               | -   |
| Trefor Owen                              | 20-25 plus LS<br>of 0-5  | 2.5-5.0 plus<br>LS of 0-2.5  | 277                                 | 206                                   | 34                               | -   |
| Derek Stephen                            | 15-20 plus LS<br>of 45-50  | 0-2.5 plus<br>LS of 0-2.5  | 289                                 | 240                                   | 11                               | -   |
| Claire Lewis                             | 5-10 plus LS   | 0-2.5 plus   | 111                                 | 74                                    | 23                               | -   |

<sup>1</sup> Figure quoted is for the period 1 April 2007 to 20 September 2007. The full year equivalent is 85-90.

<sup>2</sup> Figure quoted is for the period 20 November 2006 to 30 April 2007. The full year equivalent is 35-40. The costs are borne by Forestry Commission Great Britain.

<sup>3</sup> Figure quoted is for the period 1 September 2007 to 31 March 2008. The full year equivalent is 45-50.

<sup>5</sup> Figure quoted is for the period 25 September 2007 to 31 March 2008. The full year equivalent is 40-45.

<sup>4</sup> Figure quoted is for the period 9 May 2006 to 30 April 2007. The full year equivalent is 45-50.



|                 |                        |                          |     |     |    |   |
|-----------------|------------------------|--------------------------|-----|-----|----|---|
|                 | of 20-25               | LS of 2.5-5.0            |     |     |    |   |
| Peter Garson    | 10-15 plus LS of 30-35 | 0-2.5 plus LS of 2.5-5.0 | 166 | 126 | 16 | - |
| Clive Thomas    | 5-10 plus LS of 20-25  | 0-2.5 plus LS of 0-2.5   | 118 | 92  | 8  | - |
| Terry O'Keefe   | 15-20 plus LS of 45-50 | 0-2.5 plus LS of 0-2.5   | 329 | 276 | 12 | - |
| Richard Siddons | 10-15 plus LS of 35-40 | 0-2.5 plus LS of 2.5-5.0 | 215 | 170 | 17 | - |
| Chris Edwards   | 20-25 plus LS of 60-65 | 0-2.5 plus LS of 0-2.5   | 477 | 403 | 16 | - |

\*\* Due to certain factors being incorrect in last years CETV calculator there may be a slight difference between the final period CETV for 2006/07 and the start of period CETV for 2007/08.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (classic, premium or classic plus), or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as for classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.30% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Principal Civil Service Pension Scheme can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

## Cash Equivalent Transfer Values

Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the

member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

### **Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### Remuneration of Non-Executives

The non-executive Forestry Commissioners and members of the National Committee of Wales received the following remuneration for their services during the year ended 31 March 2008:

|                        | <b>£000</b> |
|------------------------|-------------|
| Professor Roger Cooper | 8           |
| Geraint George         | 6           |

The remuneration of Jon Owen Jones and Judith Webb, non-executive Forestry Commissioners and members of the National Committee for Wales, are borne and disclosed in the Forestry Commission Great Britain/England Annual Report and Accounts 2008-09.

\* Information subject to audit

Trefor Owen  
Accounting Officer  
01 August 2008

## STATEMENT OF ACCOUNTING OFFICERS'S RESPONSIBILITIES

Under the Government of Wales Act 1998, HM Treasury has directed Forestry Commission Wales to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Forestry Commission Wales and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts ; and
- prepare the accounts on a going concern basis.

HM Treasury has designated Director, Forestry Commission Wales as the Accounting Officer for Forestry Commission Wales. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Forestry Commission Wales' assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting.

## **STATEMENT ON INTERNAL CONTROL**

### **1. Scope of responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Forestry Commission Wales policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

Forestry is a devolved matter although certain activities such as international affairs, plant health and forest research remain reserved by Westminster. The Minister for Rural Affairs decides the policy and financial framework within which the Forestry Commission operates in Wales and is accountable to the Welsh Assembly Government for all matters concerning Forestry Commission Wales.

The Forestry Commissioners are statutorily responsible for the stewardship of the estate placed at their disposal by Ministers. The Forestry Commissioners have delegated to the statutory National Committee for Wales the normal exercise of their powers and duties in connection with the estate. The National Committee is chaired by a non-executive Forestry Commissioner and its members include a further non-executive Commissioner and a representative of the Department for Rural Affairs.

The Director General is the Deputy Chairman of the Forestry Commissioners and the senior official in the Forestry Commission. In addition to his role as a Commissioner, he is the Principal Accounting Officer, formally responsible to Parliament for the financial affairs of the Forestry Commission.

The Director Wales is the executive Forestry Commissioner responsible to the Minister and to the Director General for the work of the Forestry Commission in Wales. The Director Wales is appointed Accounting Officer for Forestry Commission Wales and is a member of the National Committee for Wales. The exact responsibilities of the Director Wales are detailed in the letter of appointment but include responsibilities for Forestry Commission Wales' accounts and financial procedures, and for the proper, effective and efficient use of resources in pursuit of the agreed Corporate Plan objectives and targets.

The Director General and Director Wales are liable to be summoned to appear before the relevant Parliamentary Committee to answer for their financial responsibilities. It will be for Ministers to decide who should represent them at other Parliamentary Committee hearings.

### **2. The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Forestry Commission Wales policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Forestry Commission Wales for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### **3. Capacity to handle risk**

Forestry Commission Wales has taken a positive approach to risk that it feels is entirely appropriate to its role and remit. Risk management is the responsibility of every member of staff in Forestry Commission Wales. Everyone has a role to play in managing risks and therefore understands and accepts responsibility for managing the risks within their own area of authority. Risk awareness and responsibility lies in parallel with the structure of the Forestry Commission's objectives in Wales and at every level of objective there is an equivalent delegation of responsibility of associated risk.

The resources available for managing risk are finite and so the aim is to achieve an optimum response to risk, prioritised in accordance with the evaluation of risk. The system of internal control incorporates risk

management. The system encompasses a number of elements that together facilitate an effective and efficient operation, enabling Forestry Commission Wales to respond to a variety of operational, financial and commercial risks. These elements include:

- Policies set by the National Committee for Wales and the Wales Management Board. Written procedures support the policies where appropriate.
- Comprehensive regular reporting to the National Committee and Management Board designed to monitor key risks and their controls. Decisions to rectify problems are made at their regular meetings.
- Planning and budgeting system used to set objectives, agree action plans and allocate resources. Progress towards meeting plan objectives is monitored regularly.

#### **4. The risk and control framework**

Forestry Commission Wales is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2008 and up to the signing of the accounts Forestry Commission Wales has:

- Continued to utilise the computer based Risk Management System [Magique] to complement the multi-level Risk Management Group (RMG) which deals with the regular review of the risk register thereby ensuring the continued management of risk and ensuring common standards are maintained. The group met on 1 November 2007.
- Extended the introduction of Business Continuity Plans to all unit level Cost Centres with the next level of National Office scheduled for June 2008 and integration with Central Services planned for later in the year. This issue will continue to remain assessed as High risk until we see BCP's being delivered.
- Commenced the introduction of a formalised process for at least an annual assessment of information risk management to support the Accounting Officer's judgement in the Statement of Internal Control.

Director Wales was provided with more detailed advice on the work of Internal Audit in particular, and control in general, via the Audit and Risk Committee [ARC]. The ARC's objectives are to:

- review the comprehensiveness of assurances in meeting the assurance needs of the National Committee and Accounting Officer [AO] and to review the reliability and integrity of these assurances
- provide an opinion on how well the National Committee and AO are supported in decision making and in discharging their accountability obligations, particularly in respect of financial reporting.
- Assist the Head of Internal Audit in defining the scope of audit coverage and assessing priorities.

The ARC will also periodically review its own effectiveness and report the results of that review to the National Committee

## **5. Data Handling in Government**

The Accounting Officer needs comprehensive and reliable assurance from managers, internal audit and assurance providers that risks, including information risks are being effectively managed.

In November 2007, the Government in response to a number of high profile losses of personal information launched a cross-government review of Departments' procedures for the storage and use of data. The terms of reference for the work were to examine:

- the procedures in departments and agencies for the protection of data;
- their consistency with current government-wide policies and standards;
- the arrangements for ensuring that procedures are being fully and properly implemented, and to make recommendations on improvements that should be made.

The review reported in March 2008 and set out the mandatory process measures that all departments must put in place to ensure information risks are identified and managed. In line with the requirements, the Forestry Commission has taken the following steps to strengthen its handling of information risk and is developing its own action plan in line with revised guidance produced by the Cabinet Office and the Devolved Administrations.

The Director General of the Forestry Commission has appointed his Finance Director, a member of the Forestry Commission's Executive Board, as the Senior Information Risk Owner (SIRO). The SIRO chairs an Information Systems Management Forum which meets on a formal and regular basis to co-ordinate the Forestry Commission's approach to information security and to monitor progress against an action plan. Regular updates will be provided to Forestry Commission Executive Board members.

As a government department the Forestry Commission internally enforces the standards of the Manual of Protective Security. In addition, to meet Service Level Agreements we have with other government departments on whose behalf we carry out EU grant payments, we have a project underway to achieve compliance with ISO/IEC 27001 the standard for Information Security Management Systems. Compliance with the Standard will also ensure that we are in compliance with the Data Protection Act's Seventh principle that "appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data."

The Forestry Commission Wales Audit and Risk Committee (ARC) received an update on information risk management at its meeting in July 2008. Information risk will be a standing agenda item for the ARC during 2008-09.

As reported in the Management Commentary, there were no protected personal data related incidents reported for Forestry Commission GB/England in 2007-08 or previous financial years.

## **6. Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within Forestry Commission Wales who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Forestry Commission Wales Management Board, and the Forestry Commission Wales Audit & Risk Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal Audit has prepared an annual report and assurance statement to me as Accounting Officer. The report includes an overall assessment of the adequacy and effectiveness of risk management, control and governance within Forestry Commission Wales. The Director General, as Principal Accounting Officer, has received a similar report and assurance statement including any comments specific to the Great Britain core responsibilities. The overall opinion is that internal control

within Forestry Commission Wales continues to provide substantial assurance that material risks to the achievement of operational objectives are identified and adequately managed.

## **7. Significant internal control problems**

Last year's statement noted that Internal Audit had awarded a Limited Assurance Opinion regarding the control framework in place in respect of Timber Despatching. Director Wales initiated steps to correct this and in August 2007 Internal Audit carried out a follow up review to assess the effectiveness of the measures introduced. They were able to advise that there had been a significant improvement in the level of control, allowing them to revise their assurance opinion to Substantial. Internal Audit undertook a further review in March 2008 to assess progress with the implementation of the remaining recommendations which was found to be satisfactory and the Substantial opinion confirmed.

Trefor Owen  
Accounting Officer  
01 August 2008

## **Forestry Commission Wales**

### **The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales**

I certify that I have audited the financial statements of Forestry Commission Wales for the year ended 31 March 2008 under the Government of Wales Act 1998. These comprise the Summary of Resource Outturn, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is required to be audited.

Respective responsibilities of the Accounting Officer and auditor

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government of Wales Act 1998 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Welsh Ministers' directions issued under the Government of Wales Act 1998. I report to you whether, in my opinion, certain information included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I report to you if in my opinion the Forestry Commission Wales has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Forestry Commission Wales's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Forestry Commission Wales's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

#### **Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Forestry Commission Wales's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have



been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government of Wales Act 1998 and directions made thereunder by Welsh Ministers, of the state of the Forestry Commission Wales's affairs as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Welsh Ministers' directions issued under the Government of Wales Act 1998; and
- information which comprises the management commentary included within the Annual Report, is consistent with the financial statements.

## Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

## Report

I have no observations to make on these financial statements.

Jeremy Colman  
Auditor General for Wales  
04 August 2008

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

## Summary of Resource Outturn 2007-08

|                           |                      |        |              |        |                      |        |              | 2007-08<br>£000  | 2006-07<br>£000 |  |
|---------------------------|----------------------|--------|--------------|--------|----------------------|--------|--------------|--|-----------------|--|
|                           |                      |        |              |        | <b>Estimate</b>      |        |              | <b>Outturn</b>   |                 |  |
|                           |                      |        |              |        |                      |        |              | Net total<br>outturn<br>compared<br>with<br>Estimate:<br>saving/<br>(excess) | Net<br>Total    |  |
| Note                      | Gross<br>expenditure | A-in-A | Net<br>Total |        | Gross<br>expenditure | A-in-A | Net<br>Total |  |                 |  |
| Request for resources     | 2                    | 31,375 | -            | 31,375 | 27,968               |        |              | 3,407  | 29,101          |  |
| Total resources           | 3                    | 31,375 | -            | 31,375 | 27,968               |        |              | 3,407  | 29,101          |  |
| Non-operating cost A in A |                      | -      | -            | -      | -                    | -      | -            | -  | (1,342)         |  |

## Net cash requirement 2007-08

|                      |          |         |        |  |  |  |     | 2007-08<br>£000  | 2006-07<br>£000 |
|----------------------|----------|---------|--------|--|--|--|-----|--|-----------------|
|                      |          |         |        |  |  |  |     | Net total<br>outturn<br>compared<br>with<br>Estimate:<br>saving/<br>(excess) | Outturn         |
| Note                 | Estimate | Outturn |        |  |  |  |     |  |                 |
| Net cash requirement | 4        | 22,917  | 22,087 |  |  |  | 830 | 23,389   |                 |

## Summary of income payable to the Consolidated Fund

|       |        | Forecast 2007-08<br>£000 |  | Outturn 2007-08<br>£000 |          |
|-------|--------|--------------------------|--|-------------------------|----------|
| Note  | Income | Receipts                 |  | Income                  | Receipts |
| Total | -      | -                        |  | -                       | -        |

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary.

The notes on pages 47 to 68 form part of these accounts.

## Operating Cost Statement

for the year ended 31 March 2008

|                              |      |                | 2007-08<br>£000      | 2006-07<br>£000      |
|------------------------------|------|----------------|----------------------|----------------------|
|                              | Note | Staff<br>Costs | Other<br>Costs       | Income               |
| <b>Administration Costs:</b> |      |                |                      |                      |
| Staff Costs                  | 5    | 11,391         |                      | 11,469               |
| Other Administration costs   | 6    |                | 8,053                | 7,540                |
| Operating Income             | 7    |                |                      | (516)                |
| <b>Programme Costs:</b>      |      |                |                      |                      |
| Programme costs              | 8.1  |                | 33,336               | 29,928               |
| EU income                    | 8.2  |                |                      | (230)                |
| Other income                 | 8.2  |                |                      | (24,066)             |
| <b>Totals</b>                |      | <u>11,391</u>  | <u>41,389</u>        | <u>(24,812)</u>      |
| <b>Net operating Cost</b>    |      |                | <u><b>27,968</b></u> | <u><b>29,101</b></u> |

There have been no acquisitions during the year.

## Statement of Recognised Gains and Losses

for the year ended 31 March 2008

|   |       | 2007-08<br>£000      | 2006-07<br>£000      |
|---|-------|----------------------|----------------------|
|   | Note  |                      |                      |
| Net gain on revaluation of tangible fixed assets          | 19(a) | 95,376               | 10,953               |
| Movement on government grant reserve                      | 19(b) | 318                  | 756                  |
| <b>Recognised gains and losses for the financial year</b> |       | <u><b>95,694</b></u> | <u><b>11,709</b></u> |

The notes on pages 47 to 68 form part of these accounts.

## Balance Sheet

as at 31 March 2008

|  | Note  | 2007-08<br>£000     | 2006-07<br>£000     |
|--|-------|---------------------|---------------------|
| Fixed assets:  |       |                     |                     |
| Tangible assets  | 11    | 256,157             | 161,135             |
| Investment   | 12    | 371                 |                     |
| Debtors falling due after more than one year             | 14    | 703                 | 922                 |
| Current assets:  |       |                     |                     |
| Stocks   | 13    | 1,281               | 603                 |
| Debtors  | 14(a) | 6,170               | 5,475               |
| Cash at bank and in hand                                 | 15    | 830                 | 1,569               |
|  |       | <u>8,281</u>        | <u>7,647</u>        |
| Creditors (amounts falling due within one year)          | 16(a) | (4,525)             | (4,590)             |
| <b>Net current assets</b>                                |       | <b><u>3,756</u></b> | <b><u>3,057</u></b> |
| <b>Total assets less current liabilities</b>             |       | <b>260,987</b>      | <b>165,114</b>      |
| Creditors (amounts falling due after more than one year) | 16(a) | (259)               | (262)               |
| Provisions for liabilities and charges                   | 17    | (397)               | (210)               |
|  |       | <u>260,331</u>      | <u>164,642</u>      |
| <b>Taxpayers' equity:</b>                                |       |                     |                     |
| General fund   | 18    | 114,817             | 114,515             |
| Revaluation reserve                                      | 19(a) | 142,649             | 47,423              |
| Government grant reserve                                 | 19(b) | 2,865               | 2,704               |
|  |       | <u>260,331</u>      | <u>164,642</u>      |

Trefor Owen  
Accounting Officer  
01 August 2008

The notes on pages 47 to 68 form part of these accounts.

## Cash Flow Statement

for the Year Ended 31 March 2008

|  |       | <b>2007-08</b> | <b>2006-07</b> |
|--|-------|----------------|----------------|
|  |       | <b>£000</b>    | <b>£000</b>    |
|  | Note  |                |                |
| Net cash outflow from operating activities       | 20(a) | (21,837)       | (23,843)       |
| Capital expenditure and financial investment     | 20(b) | (424)          | (100)          |
| WEFO deferred income                             |       | -              | (4)            |
| Net financing                                    | 20(d) | 21,522         | 22,817         |
|  | 20(e) | <u>(739)</u>   | <u>(1,130)</u> |
| <b>Increase/(decrease) in cash in the period</b> |       |                |                |

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The notes on pages 47 to 68 form part of these accounts.

## Statement of Operating Costs by Departmental Aim and Objectives

for the year ended 31 March 2008

|  |               |                 | <b>2007-08</b><br><b>£000</b> |               |                 | <b>2006-07</b><br><b>£000</b> |
|--|---------------|-----------------|-------------------------------|---------------|-----------------|-------------------------------|
|  | Gross         | Income          | Net                           | Gross         | Income          | Net                           |
| Objectives   |               |                 |                               |               |                 |                               |
| Woodlands supporting effective and durable communities                               | 23,224        | (10,917)        | 12,307                        | 21,532        | (8,728)         | 12,804                        |
| Sustainable woodland management  | 10,028        | (4,714)         | 5,314                         | 9,298         | (3,769)         | 5,529                         |
| Woodlands making a positive contribution to a thriving and sustainable Welsh economy | 12,139        | (5,707)         | 6,432                         | 11,256        | (4,562)         | 6,694                         |
| Woodlands contributing to a healthy and resilient environment                        | 7,389         | (3,474)         | 3,915                         | 6,851         | (2,777)         | 4,074                         |
| <b>Net operating costs</b>   | <b>52,780</b> | <b>(24,812)</b> | <b>27,968</b>                 | <b>48,937</b> | <b>(19,836)</b> | <b>29,101</b>                 |

See note 21 for explanation of apportionment across objectives.

## **Notes to the resource accounts**

### **1. Statement of accounting policies**

These financial statements have been prepared in accordance with the 2006-07 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires Forestry Commission Wales to prepare two additional primary statements. The *Statement of Parliamentary Supply* (or equivalent for Forestry Commission Wales, which is funded by the National Assembly for Wales) and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. For the purposes of these accounts, the title "Summary of Resource Outturn" has been used for this primary statement. The other primary statement, the *Statement of Operating Cost by Departmental Aim and Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of Forestry Commission Wales for the purpose of giving a true and fair view has been selected. Forestry Commission Wales' accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### **1.1 Accounting convention**

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

#### **1.2 Administrative and programme expenditure**

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running Forestry Commission Wales, together with associated operating income, and programme costs include costs relating to managing the Assembly Woodlands and payments of grants. Programme income is generated from managing the Assembly Woodlands.

#### **1.3 Capital charges**

Charges, reflecting the cost of capital utilised by Forestry Commission Wales have been included under programme costs in the operating cost statement. The charge is calculated at the Government's standard rate of 3.5% in real terms on the average carrying amount of all assets less liabilities, except for cash balances held by the Office of the Paymaster General and amounts due to be surrendered to the Welsh Assembly.

#### **1.4 Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. Forestry Commission Wales recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, Forestry Commission Wales recognises the contributions payable for the year.

#### **1.5 Contingent liabilities**

In addition to contingent liabilities disclosed in accordance with FRS 12, Forestry Commission Wales discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of economic benefit is remote, but which have been reported to the National Assembly for Wales in accordance with the requirements of Government Accounting.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to the National Assembly for Wales separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to the National Assembly for Wales.

## **1.6 Tangible fixed assets**

Legal ownership of all land and buildings is vested in the National Assembly of Wales with legal ownership of the timber, including uncut trees, vested in the Forestry Commissioners. Legal ownership of other tangible fixed assets is vested in the Forestry Commissioners.

Tangible fixed assets are revalued annually as at 31 March. With the agreement of HM Treasury, from 1 April 2008, future revaluations shall take place on 1 April.

### **Forest estate**

A full, professional valuation is undertaken at five yearly intervals by an external panel of two firms of valuers. The panel includes the Forestry Commission Wales' country land agent. In accordance with the RICS Appraisal and Valuation Standards (the "Red Book", the valuation is based on the assets' existing use. This is because the forest estate is regarded as a non-specialised asset that is occupied by its owners for the purposes of their business. The next full valuation shall take place on 1 April 2008. From that date, accounts shall be prepared under International Accounting Standards and the Forest Estate shall be valued under the Existing Use and Fair Value bases as appropriate. Indices provided by the valuation panels are used to restate values in the intervening years. Use of the indices shall continue after 1 April 2008.

### **Non-forest land**

Professionally qualified staff employed by the Forestry Commission undertake a full revaluation of non-forest land at five yearly intervals coinciding with that for the forest estate. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS guidance. Unequipped agricultural land indices provided by the District Valuer are used to restate values between full valuations. The next full valuation shall take place on 1 April 2008.

### **Dwellings and other buildings**

Professionally qualified staff employed by the Forestry Commission undertake a full revaluation of dwellings and other buildings at five yearly intervals coinciding with that for the forest estate and non-forest land. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS guidance. Indices provided by the District Valuer are used to restate values between full valuations. The next full valuation shall take place on 1 April 2008.

The normal threshold for capitalisation of buildings is £2,000.

### **Expenditure on infrastructure**

To maximise the environmental, social and economic benefits of the Forest Estate and Other Land, the Commission improves and develops access and services by adding to the infrastructure on its sites. Infrastructure includes new roads, bridges, culverts etc. Costs in respect of infrastructure works are expensed as they occur. The Commission takes the view that the professional valuations of the Forest Estate and Other Land properly recognise the contribution that infrastructure items make to land values. It also considers that the annual revaluation by indexation reflects improvements made through new infrastructure.



## Surplus properties

Fixed assets are reviewed regularly to ensure they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management. Decisions to sell such properties take into account a number of factors including the social and environmental effects as well as marketability. Surplus properties are retained in their fixed asset category and continue to be valued on the appropriate basis as set out in the preceding paragraphs. However, values may be materially affected by development factors such as the award of planning permissions. Where this occurs, assets are revalued to an Open Market Value based on advice provided by the selling agents and taking account of the circumstances of the sales. Revaluation takes place in the quarter following the development event.

## Plant and machinery

Forestry vehicles, machinery and equipment are revalued every five years by professionally qualified staff employed by the Forestry Commission. They are restated to current value in the intervening years using valuations provided by internal professionally qualified staff for specialist forestry machinery and indices provided by the Office for National Statistics for all other assets. The normal threshold for capitalisation of assets is £3,000.

## Information technology

Information technology (IT) values are restated to current value each year using indices provided by the Office for National Statistics. The normal threshold for capitalisation of IT assets is £2,000 (£1,500 for FY06/07).

## Assets under construction

Assets under construction are carried at cost and are transferred to the appropriate fixed asset category when completed and ready for use.

### 1.7 Depreciation

Land (forest estate, non-forest and Forest Holidays land) held under freehold is not depreciated.

Depreciation is provided on all other tangible fixed assets at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

|                                      |   |  |
|--------------------------------------|---|--|
| Land held under a finance lease      | - | unexpired term of the lease                    |
| Lease premium                        | - | unexpired term of the lease                    |
| Freehold buildings                   | - | over 1 to 60 years                             |
| Buildings held under a finance lease | - | lesser of unexpired term of lease and 60 years |
| Plant and machinery                  | - | over 3 to 16 years                             |
| Information technology               | - | over 4 to 20 years                             |
| Software                             | - | over 5 to 7 years                              |

### 1.8 Land and Buildings Leased to Customers

Land and buildings leased to external parties is deemed to be sold at a commercial price and taken to the Operating Cost Statement at the inception of the lease. Debtors under finance leases represent the discounted cash value of the outstanding amounts due under the agreements. The discount rates reflect the appropriate commercial environment. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments. Assets leased to

external parties under operating leases is capitalised under the appropriate accounting policy. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

## **1.9 Government grants receivable**

Government grants in respect of capital expenditure are credited to a government grant reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the operating cost statement. Where the grant contributes only part of the cost of the fixed asset, only that proportion is released from the government grant reserve. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

## **1.10 Subsidiaries, associates and joint ventures**

Where Forestry Commission Wales holds investments in subsidiaries, associates or joint ventures that are outside the departmental boundary and does not exercise in-year budgetary control, then, in accordance with FReM 2.4, the investment will be treated as a fixed asset investment.

## **1.11 Stocks**

Finished goods and work in progress are valued as follows:-

- a. timber at the cost of production;
- b. seed at the lower of cost of collection or net realisable value;
- c. plants and livestock at net realisable value;
- d. consumable materials and supplies at historic cost.

Cost of production and collection comprises labour and attributable administrative expenses based on the normal level of activity together with an element of selling and distribution costs. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

## **1.12 Income**

Income represents income receivable from forestry and related activities and is stated net of value added tax.

## **1.13 Leases**

Where substantially all the risks and rewards of ownership of a leased asset are borne by Forestry Commission Wales (a Finance Lease), the right to use the asset is initially recorded as a tangible fixed asset. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease discounted by the Treasury discount rate of 3.5%. Costs in respect of operating leases (any lease other than a Finance Lease) are charged on a straight-line basis over the lease term.

Assets held under Finance Leases are depreciated over the unexpired term of the lease. The value of each underlying asset is revalued annually as though ownership of the asset was vested in the Forestry Commissioners. The policies and procedures for carrying out the revaluations are those set out in 1.3 above.

## **1.14 Grants payable**

Grants payable to individuals and bodies by Forestry Commission in accordance with its statutory powers and duties are accounted for as they are approved for payment. No provision is made in the financial statements for grant offers made but not yet approved for payment, although they are quantified at note 24.

## 1.15 European Union (EU) funding

The Forestry Commission acts as an agent of the EU for third party grants paid from Objective 1 and woodland grant scheme payments made under the national European Agricultural Guarantee and Guidance Fund and the European Agricultural Fund for Rural Development. Once grants become recognised, contributions from the EU are claimed. If grants are subsequently recovered because of failure to fulfil the conditions of the relevant woodland grant scheme, the amount of co-financing may be repayable to the EU.

## 1.16 Provisions

Forestry Commission Wales provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cashflows are discounted using the real rate set by HM Treasury.

## 1.17 Value Added Tax

The Forestry Commission is registered for VAT. In order to comply with government accounting regulations and normal commercial practice, income and expenditure shown in the operating cost statement is net of VAT. The Forestry Commission accounts for VAT on a Great Britain basis with any VAT due to or from HM Revenue and Customs at the year-end included in the Forestry Commission Great Britain/England accounts as a debtor or creditor in the balance sheet. Irrecoverable VAT is charged to the operating cost statement in the year in which it is incurred.

## 2. Analysis of net resource outturn by section

|                               |          |                  |          |                                  |          |               | 2007-08       |  | 2006-07                   |
|-------------------------------|----------|------------------|----------|----------------------------------|----------|---------------|---------------|--|---------------------------|
|                               |          |                  |          |                                  |          |               | £000          |  | £000                      |
|                               |          |                  |          |                                  |          |               | Outturn       | Estimate                                 |                           |
|                               |          |                  |          |                                  |          |               | Net           | Net Total<br>Outturn<br>compared<br>with | Prior-<br>year<br>outturn |
|                               |          |                  |          |                                  |          |               | Total         | Estimate                                 |                           |
|                               | Admin    | Other<br>Current | Grants   | Gross<br>resource<br>Expenditure | A in A   | Net<br>Total  | Net<br>Total  | Estimate                                 |                           |
| <b>Request for resources:</b> |          |                  |          |                                  |          |               |               |  |                           |
| Forestry Commission<br>Wales  | -        | 27,968           | -        | -                                | -        | 27,968        | 31,375        | 3,407                                    | 29,101                    |
| <b>Resource Outturn</b>       | <b>-</b> | <b>27,968</b>    | <b>-</b> | <b>-</b>                         | <b>-</b> | <b>27,968</b> | <b>31,375</b> | <b>3,407</b>                             | <b>29,101</b>             |

The difference between estimate and net total resource outturn is principally due to:

- Increased operational income of £1.6m arising from improved timber prices and windfall income from Estates based activities £0.6m which allowed for investment in both our Roads infrastructure £0.2m and Protection & Maintenance of the Forest Estate £0.5m and a further £1.2m being released back to the Welsh Assembly Government in October 2007.
- The completion of EU grant projects which realised reciprocal EU grant claims of £2.2m and the Cost of Capital being below estimate £1.0m despite there being a 67% increase in the value of the Forest Estate.
- Increased income from Capital Asset Sales of £0.2m utilised for the replacement of Silvicultural machinery £0.2m and continued investment in our Visitor Centre infrastructure £0.2m.

Detailed explanations of the variances are given in the Management Commentary.

### 3. Reconciliation of outturn to net operating cost

|                           | Note | Outturn       | Supply Estimate | 2007-08<br>£000<br>Outturn compared with Estimate | 2006-07<br>£000<br>Outturn |
|---------------------------|------|---------------|-----------------|---|----------------------------|
| Net Resource Outturn      | 2    | 27,968        | 31,375          | 3,407   | 29,101                     |
| Prior Period Adjustments  |      | -             | -               | -   | -                          |
| Non-supply income (CFERs) |      | -             | -               | -   | -                          |
| Non-supply Expenditure    |      | -             | -               | -   | -                          |
| <b>Net operating cost</b> |      | <b>27,968</b> | <b>31,375</b>   | <b>3,407</b>                                      | <b>29,101</b>              |

### 4. Reconciliation of resources to cash requirement

|  | Note  | Estimate<br>£000 | Outturn<br>£000 | Net total outturn compared with Estimate: saving/(excess)<br>£000 |
|--|-------|------------------|-----------------|---|
| Resources Outturn  |       | 31,375           | 27,968          | 3,407   |
| Capital:   |       |                  |                 |   |
| • Acquisition of tangible fixed assets                       | 11    |                  | 725             | (725)   |
| • Investments  |       |                  |                 |   |
| Non-operating cost A in A:                                   |       |                  |                 |   |
| • Proceeds of fixed asset disposals                          |       |                  | (301)           | 301   |
| Government grants applied to the acquisition of fixed assets | 19(b) |                  | (174)           | 174   |
| Accruals adjustments:  |       |                  |                 |   |
| • Non-cash items   | 6/8   | (8,458)          | (8,346)         | (112)   |
| • Changes in working capital other than cash                 |       |                  | 2,140           | (2,141)   |
| • Changes in creditors falling due after more than one year  | 16    |                  | 3               | (2)   |
| • Use of provision   | 17    |                  | 77              | (77)  |
| • Timing between accrual and cash VAT                        | 18    |                  | 4               | (4)   |
| • Non-cash inter-country transfers                           | 18    |                  | (9)             | 9   |
| <b>Net cash requirement</b>                                  |       | <b>22,917</b>    | <b>22,087</b>   | <b>830</b>  |

### 5. Staff numbers and related costs

Staff costs comprise:

|                        | 2007-08<br>£000 | Permanently employed staff |           | 2006-07<br>£000 |
|------------------------|-----------------|----------------------------|-----------|-----------------|
|                        | Total           | staff                      | Others    | Total           |
| Wages and salaries     | 9,037           | 9,037                      | -         | 8,985           |
| Social security costs  | 652             | 652                        | -         | 664             |
| Other pension costs    | 1,634           | 1,634                      | -         | 1,633           |
| Agency staff           | 68              | -                          | 68        | 187             |
| <b>Total net costs</b> | <b>11,391</b>   | <b>11,323</b>              | <b>68</b> | <b>11,469</b>   |

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Forestry Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2007-08, employers' contributions of £1,628,000 were payable to the PCSPS (2006-07 £1,629,000) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2006-07 were between 17.1% and 25.5%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007-08, the salary bands will be revised and the rates will remain the same. The contribution rates are set to meet the cost of the benefits accruing during 2006-07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £6,000 were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £300, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

There were no early retirements on ill health grounds during the year.

#### Average number of persons employed

Staff numbers have been apportioned pro rata to the net expenditure on each objective. The average number of whole-time equivalent persons employed during the year was as follows.

| Objective  | 2007-08<br>Number |                    |          | 2006-07<br>Number |
|--|-------------------|--------------------|----------|-------------------|
|  | Total             | Permanent<br>staff | Others   |                   |
| Woodlands supporting effective and durable communities                               | 160               | 159                | 1        | 163               |
| Sustainable woodland management  | 69                | 68                 | 1        | 71                |
| Woodlands making a positive contribution to a thriving and sustainable Welsh economy | 83                | 82                 | 1        | 86                |
| Woodlands contributing to more healthy and resilient environment                     | 51                | 51                 |          | 53                |
| <b>Total</b>   | <b>363</b>        | <b>360</b>         | <b>3</b> | <b>373</b>        |

## 6. Other administration costs

|  | 2007-08<br>£000 | 2006-07<br>£000 |
|--|-----------------|-----------------|
| Operating leases                                     | 488             | 514             |
| Central shared services                              | 3,093           | 2,895           |
| Other expenditure                                    | 3,743           | 3,427           |
| Auditors' remuneration and expenses – audit work     | 49              | 49              |
| Auditors' remuneration and expenses – non-audit work | -               | -               |
| <b>Sub-total</b>                                     | <b>7,373</b>    | <b>6,885</b>    |
| <u>Non-cash costs</u>                                |                 |                 |
| Depreciation   | 292             | 419             |
| Impairment   | 19              | 2               |
| Gain/loss on disposal of tangible fixed assets       | 106             | 160             |
| Write-off of intangible fixed asset                  | (1)             | 19              |
| Provisions   |                 |                 |
| Provided in year                                     | 264             | 149             |
| Provisions not required written back                 | 1               | (91)            |
| Unwinding of discount                                | (1)             | (3)             |
| <b>Sub-total</b>                                     | <b>680</b>      | <b>655</b>      |
| <b>Total</b>   | <b>8,053</b>    | <b>7,540</b>    |

Other expenditure includes the cost of shared central services provided to Forestry Commission Wales. Shared central services are defined as those where a single provider is considered the best solution, in terms of practicality, cost or the needs of stakeholders although primary direction comes from the countries. Six areas of work are identified as shared services:

- Finance and accounting services
- Information and communications technology
- Human Resources, including forestry training services
- Communications
- Grants and licences
- Operational support services

For each of the shared services, a service board composed of 'intelligent buyers' from the countries, Forest Research and the service provider have joint accountability for the operation to ensure the needs of the customer and the wider organisation are met. Charges were made at regular intervals during the year.

Business Units covering mechanical and civil engineering and nurseries charge for their services under service level agreements agreed with their own service board. Expenditure was accounted for in each country at the time it was incurred.

The Forest Research Agency provides research development and survey services to Forestry Commission Wales through a service level agreement and charges internal Forestry Commission Wales customers in the year. The Forest Research Agency is charged for shared services and business unit costs where appropriate.

## 7. Operating income

|                  | <b>2007-08<br/>£000<br/>Total</b> | <b>2006-07<br/>£000<br/>Total</b> |
|------------------|-----------------------------------|-----------------------------------|
| Operating income | 516                               | 304                               |
|                  | <u>516</u>                        | <u>304</u>                        |

## 8. Programme Costs

### 8.1 Programme expenditure

|  | <b>2007-08<br/>£000</b> | <b>2006-07<br/>£000</b> |
|--|-------------------------|-------------------------|
| Management of Welsh Assembly Woodlands   | 13,835                  | 14,245                  |
| Grants:  |                         |                         |
| Support for forestry and the rural economy, including grants paid to private woodland owners | 3,154                   | 3,034                   |
| Grants paid to private woodland owners from EU receipts                                      | 230                     | 197                     |
|  | <u>3,384</u>            | <u>3,231</u>            |
| Objective1 expenditure   | 7,910                   | 5,961                   |
| Other programme costs, including research and publications                                   | 794                     | 980                     |
| Cost of capital  | 7,413                   | 5,511                   |
| <b>Programme expenditure</b>   | <u><b>33,336</b></u>    | <u><b>29,928</b></u>    |

Included within programme expenditure are the following costs:

|                            | <b>2007-08<br/>£000</b> | <b>2006-07<br/>£000</b> |
|----------------------------|-------------------------|-------------------------|
| <u>Cash costs</u>          |                         |                         |
| Hire of plant and machines | <u>1,065</u>            | <u>803</u>              |
| <u>Non cash costs</u>      |                         |                         |
| Cost of capital            | 7,413                   | 5,511                   |
| Depreciation               | 526                     | 536                     |
|                            | <u>7,939</u>            | <u>6,047</u>            |

## 8.2 Programme income

|   | <b>2007-08</b><br><b>£000</b> | <b>2006-07</b><br><b>£000</b> |
|---|-------------------------------|-------------------------------|
| Operational income from Welsh Assembly Woodlands        | 14,173                        | 11,956                        |
| Planting grant co-financing from EU                     | 230                           | 197                           |
| Objective 1 EU and NAW funding                          | 8,789                         | 7,088                         |
| Gain on disposal of properties including external costs | 105                           | 216                           |
| Publications income                                     | 82                            | 26                            |
| Other income  | 917                           | 49                            |
| <b>Programme income</b>                                 | <b>24,296</b>                 | <b>19,532</b>                 |

Included within programme income are the following amounts:

### Non cash amount

|  |            |            |
|--|------------|------------|
| Release from government grant reserve                              | 157        | 116        |
| Gain on disposal of tangible fixed assets excluding external costs | 116        | 193        |
| <b>Total</b>   | <b>273</b> | <b>309</b> |

## 9. Management of Welsh Assembly Woodlands

Income and expenditure relating to the management of Assembly Woodlands:

|   | <b>2007-08</b><br><b>£000</b> | <b>2006-07</b><br><b>£000</b> |
|---|-------------------------------|-------------------------------|
| <b>Operating Income</b>   |                               |                               |
| Sales of Timber   | 10,208                        | 8,729                         |
| Forest Protection and Maintenance                                       | 52                            | 72                            |
| Management and Development of Estate                                    | 2,310                         | 1,558                         |
|   | <b>12,570</b>                 | <b>10,359</b>                 |
| <b>Operating Expenditure</b>  |                               |                               |
| Forest Planning   | 1,633                         | 1,905                         |
| Harvesting and Haulage of Timber  | 6,329                         | 6,399                         |
| Forest Roads  | 1,608                         | 1,682                         |
| Forest Protection and Maintenance                                       | 6,299                         | 5,773                         |
| Management and Development of Estate                                    | 1,817                         | 3,106                         |
|   | <b>17,686</b>                 | <b>18,865</b>                 |
| <b>Operating Deficit</b>  | <b>(5,116)</b>                | <b>(8,506)</b>                |
| <b>Recreation, conservation &amp; heritage</b>                          |                               |                               |
| Income  | 1,565                         | 1,893                         |
| Expenditure   | 7,900                         | 7,776                         |
|   | <b>(6,335)</b>                | <b>(5,883)</b>                |
| <b>Operating Deficit Net of Recreation ,Conservation &amp; Heritage</b> | <b>(11,451)</b>               | <b>(14,389)</b>               |
| Surplus/(deficit) on sale of properties                                 | 95                            | 209                           |
| <b>Deficit</b>  | <b>(11,356)</b>               | <b>(14,180)</b>               |



The net deficit for the management of Assembly Woodlands is included in the Operating Cost as follows:

|                                   | <b>2007-08</b><br><b>£000</b> | <b>2006-07</b><br><b>£000</b> |
|-----------------------------------|-------------------------------|-------------------------------|
| <b>Administration costs</b>       |                               |                               |
| Staff costs                       | 8,788                         | 8,017                         |
| Other administration costs        | 3,859                         | 3,921                         |
| <b>Gross administration costs</b> | <u>12,647</u>                 | <u>11,938</u>                 |
| Operating income                  | (95)                          | (209)                         |
| <b>Net administration costs</b>   | <u>12,552</u>                 | <u>11,729</u>                 |
| <b>Programme costs</b>            |                               |                               |
| Expenditure                       | 12,939                        | 14,703                        |
| Less income                       | (14,135)                      | (12,252)                      |
| <b>Net programme costs</b>        | <u>(1,196)</u>                | <u>2,451</u>                  |
| <b>Net operating costs</b>        | <u><b>11,356</b></u>          | <u><b>14,180</b></u>          |

#### 10. Analysis of net operating cost by spending body

|                           | <b>2007-08</b><br><b>£000</b> | <b>2006-07</b><br><b>£000</b> |
|---------------------------|-------------------------------|-------------------------------|
|                           | <b>Estimate</b>               | <b>Outturn</b>                |
| Forestry Commission Wales | 31,375                        | 27,968                        |
| <b>Net Operating Cost</b> | <u><b>31,375</b></u>          | <u><b>27,968</b></u>          |
|                           |                               | <u><b>29,101</b></u>          |

## 11. Tangible Fixed Assets

|                         | Forest         |              | Dwellings<br>and Other | Plant<br>and<br>machinery | Information<br>technology | POA<br>and<br>AUC | Total          |
|-------------------------|----------------|--------------|------------------------|---------------------------|---------------------------|-------------------|----------------|
|                         | Estate<br>£000 | Land<br>£000 | Buildings<br>£000      | £000                      | £000                      | £000              | £000           |
| <b>Valuation:</b>       |                |              |                        |                           |                           |                   |                |
| At 1 April 2007         | 145,545        | 6,299        | 8,820                  | 3,778                     | 381                       | 9                 | 164,832        |
| Additions               | -              | -            | 16                     | 257                       | 26                        | 426               | 725            |
| Transfers               | -              | 5            | 64                     | -                         | -                         | (69)              | -              |
| Disposals               | (73)           | (19)         | (96)                   | (419)                     | (47)                      | -                 | (654)          |
| Write-off               | -              | -            | -                      | -                         | -                         | -                 | -              |
| Revaluation             | 93,578         | 1,494        | 427                    | 47                        | -                         | -                 | 95,546         |
| Impairment              | -              | -            | -                      | -                         | (24)                      | -                 | (24)           |
| <b>At 31 March 2008</b> | <b>239,050</b> | <b>7,779</b> | <b>9,231</b>           | <b>3,663</b>              | <b>336</b>                | <b>366</b>        | <b>260,425</b> |
| <b>Depreciation:</b>    |                |              |                        |                           |                           |                   |                |
| At 1 April 2007         | -              | -            | 1,415                  | 2,164                     | 118                       | -                 | 3,697          |
| Provided during year    | -              | -            | 459                    | 303                       | 56                        | -                 | 818            |
| Transfers               | -              | -            | -                      | -                         | -                         | -                 | -              |
| Disposals               | -              | -            | (14)                   | (311)                     | (40)                      | -                 | (365)          |
| Write-off               | -              | -            | -                      | -                         | -                         | -                 | -              |
| Revaluation             | -              | -            | 66                     | 57                        | -                         | -                 | 123            |
| Impairment              | -              | -            | -                      | -                         | (5)                       | -                 | (5)            |
| <b>At 31 March 2008</b> | <b>-</b>       | <b>-</b>     | <b>1,926</b>           | <b>2,213</b>              | <b>129</b>                | <b>-</b>          | <b>4,268</b>   |
| <b>At 31 March 2008</b> | <b>239,050</b> | <b>7,779</b> | <b>7,305</b>           | <b>1,450</b>              | <b>207</b>                | <b>366</b>        | <b>256,157</b> |
| At 1 April 2007         | 145,545        | 6,299        | 7,405                  | 1,614                     | 263                       | 9                 | 161,135        |

The forest estate was revalued at £131,307,000 as at 31 March 2003 by a country valuation panel comprising John Clegg & Co. Chartered Surveyors, Raymond Barker & Co., Chartered Surveyors and professionally qualified land agents employed by the Forestry Commission. The valuation is based on a sample number of properties and the results extrapolated by professionally qualified staff employed by the Forestry Commission. Values are determined using the RICS Existing Use basis. The next full revaluation is due as at 1 April 2008 with annual updates in the intervening years based on an external professional opinion. For 2007-08, valuations were updated using indexation information provided by John Clegg & Co. Chartered Surveyors and Bidwells, Chartered Surveyors.

Non-forest land was valued at £2,709,000 and dwellings and other buildings at £4,095,000 as at 31 March 2002 by professionally qualified land agents employed by the Forestry Commission. This was on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost Value or Discounted Cash Flow Value as appropriate under the RICS guidance. The properties were scheduled to be re-assessed as at 31 March 2005 in accordance with the three-yearly interval stated in the previous accounting policy. To bring the policy in line with UK GAAP, professional valuations of non-forest land and dwellings and other buildings will be undertaken on a five-yearly basis. The first five-yearly valuation will be at 1 April 2008, to coincide with the next full revaluation of the Forest Estate. Annual updates in the intervening years are based on indices provided by the District Valuer.

The forest estate and other land and buildings assets comprise both freehold and leasehold assets.

As at 31 March 2008 management had taken the decision that 12 properties within the Forest Estate and Other Land were surplus to operation requirements. For marketing and other reasons these properties may not be disposed off immediately. The land assets are included at a value of £226,328. These values have been determined using an Open Market Valuation basis by internal, professionally qualified staff. Prior to revaluation the net book values were £49,242.

Plant and machinery was valued at £1,605,000 as at 31 March 2005 by professionally qualified staff employed by the Forestry Commission based on valuations provided by internal professionally qualified staff for specialist forestry machinery and indices provided by the Office for National Statistics for all other assets. The next full revaluation is due as at 31 March 2010. In the intervening periods annual updates will be carried out based on the opinions of professionally qualified staff employed by the Forestry Commission or on indices provided by the Office for National Statistics.

IT was restated to a current value of £207,000 as at 31 March 2008 using an index provided by the Office for National Statistics.

Additions to assets under construction included £9,000 funded by UK government grants and £165,000 funded by EU grants.

## **12. Fixed asset investments**

In May 2006, the Forestry Commission entered into a partnership with the Camping and Caravanning Club to manage its Forest Holidays business. The net book value of Forestry Commission Wales' campsite land and buildings transferred to the partnership was £899,000. The 2006-07 accounts of Forestry Commission Wales showed that, in return, it received £932,000 comprising:

- a fixed asset investment valued at nil at 31 March 2007;
- as lessors of the sites to the partnership, Forestry Commission Wales showed a long term debtor balance on its balance sheet to represent the net present value of the future rental payments over 75 years due by the partnership company totalling £647,000; and
- a long term debtor of £285,000 with the capital and interest due to be repaid in five instalments commencing year end 31 March 2012.

The fixed asset investment was valued at nil because the Forestry Commission considered that the book value of the long term lease debtor together with the loan amount represented substantially all of the Forestry Commission's share of the partnership's value. To test this view, Barrs & Co., specialist leisure

consultants and valuers, carried out an external professional valuation of the Forest Holidays arrangements as at 31 March 2008. This work showed that the following adjustments were required to the 2007-08 accounts as the overall financial impact of the changes is below the threshold for making prior year adjustments.:

- the valuers concluded that the Forestry Commission's partnership share of the LLP was marketable and appropriate evidence existed to value this. A fixed asset investment of £278,000 was accounted for as an addition to assets in 2007-08. This reflects the value of Forestry Commission Wales' share of the LLP as at 8 May 2006. The investment was revalued to £370,500 as at 31 March 2008.
- the finance lease debtor as at 8 May 2006 was determined using HM Treasury' standard rate of 3.5% per annum rather than an appropriate commercial rate as required under the Financial Reporting Manual. The debtor was recalculated using a discount rate of 6.6%, reducing the value from £647,000 to £367,000. The debtor was revalued to £392,004 as at 31 March 2008 to reflect revised rental payments and a commercial discount rate of 6.4%
- In 2006-07, Forestry Commission Wales recognised a profit on disposal of £33,000 for the Forest Holidays business activity. Taking account of the professional valuations, this resulted in an overstatement of profit by £2,000. This amount has been charged to the Operating Cost Statement in 2007-08.
- No changes were made in respect of the long term loan.

### 13. Stocks and Work in Progress

|  | <b>2007-08</b> | <b>2006-07</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Timber                                       | 1,145          | 424            |
| Plants & seed                                | -              | -              |
| Consumable materials, supplies and livestock | 136            | 179            |
| <b>Total</b>                                 | <b>1,281</b>   | <b>603</b>     |

### 14. Debtors

#### 14(a) Analysis by type

|  | <b>2007-08</b> | <b>2006-07</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| <b>Amounts falling due within one year:</b>          |                |                |
| Trade debtors  | 2,251          | 2,577          |
| Other debtors  | -              | 1              |
| House purchase loans to employees                    | 6              | 7              |
| Lease debtor   | -              | 21             |
| EU funding accrued income                            | 77             | 124            |
| Prepayments and accrued income                       | 3,836          | 2,745          |
| <b>Total</b>   | <b>6,170</b>   | <b>5,475</b>   |
|  | <b>2007-08</b> | <b>2006-07</b> |
|  | <b>£000</b>    | <b>£000</b>    |
| <b>Amounts falling due after more than one year:</b> |                |                |
| Partnership loan                                     | 285            | 285            |
| Partnership lease                                    | 392            | 605            |
| House purchase loans to employees                    | 26             | 32             |
| <b>Total</b>   | <b>703</b>     | <b>922</b>     |

Forestry Commission Wales had house purchase loans totalling £32,000 outstanding at 31 March 2008 relating to 6 employees.

## 14(b) Intra-Government Balances

|   | Amounts falling due within one year |              | Amounts falling due after more than one year |            |
|---|-------------------------------------|--------------|--|------------|
|   | £000<br>2007-08                     | 2006-07      | £000<br>2007-08                              | 2006-07    |
| Balances with other central government bodies       | 1,494                               | 594          | -  | -          |
| Balances with local authorities                     | 12                                  | 15           | -  | -          |
| Balances with NHS Trusts                            | -                                   | -            | -  | -          |
| Balances with public corporations and trading funds | 1                                   | -            | -  | -          |
| Intra-government balances                           | 1,506                               | 609          | -  | -          |
| Balances with bodies external to government         | 4,664                               | 4,866        | 703  | 922        |
| Total debtors at 31 March                           | <b>6,170</b>                        | <b>5,475</b> | <b>703</b>                                   | <b>922</b> |

## 15. Cash at Bank and in Hand

|                              | 2007-08<br>£000 | 2006-07<br>£000 |
|------------------------------|-----------------|-----------------|
| Balance at 1 April           | 1,569           | 2,699           |
| Net change in cash balances: | (739)           | (1,130)         |
| <b>Balance at 31 March</b>   | <b>830</b>      | <b>1,569</b>    |

The following balances at 31 March are held at:

|   |            |              |
|---|------------|--------------|
| Balance with Office of Paymaster General  | 830        | 1,569        |
| Cash at commercial banks and cash in hand | -          | -            |
| <b>Balance at 31 March</b>                | <b>830</b> | <b>1,569</b> |

The balance at 31 March comprises:

|   |            |              |
|---|------------|--------------|
| Amounts issued from the Welsh Assembly for supply but not spent at year end | -          | 184          |
| WEFO deferred income  | 101        | 1,112        |
| Other deferred income   | 729        | 273          |
| <b>Balance at 31 March</b>  | <b>830</b> | <b>1,569</b> |

## 16. Creditors

### 16(a) Analysis by type

|  | 2007-08<br>£000 | 2006-07<br>£000 |
|--|-----------------|-----------------|
| <b>Amounts falling due within one year:</b>                      |                 |                 |
| Trade creditors  | 2,029           | 1,782           |
| Other creditors  | 35              | 25              |
| Accruals and deferred income                                     | 1,596           | 2,566           |
| Current part of finance leases                                   | 35              | 33              |
| Amounts issued from the Welsh Assembly but not spent at 31 March | 830             | 184             |
|  | <b>4,525</b>    | <b>4,590</b>    |

|   | 2007-08<br>£000 | 2006-07<br>£000 |
|---|-----------------|-----------------|
| <b>Amounts falling due after more one year:</b> |                 |                 |
| Finance leases                                  | 259             | 262             |
|   | <u>259</u>      | <u>262</u>      |

Forestry Commission Wales is the lead partner in the GATE Project – Gaining Added Value for Timber – and its aim is to try to increase the use of timber in construction. Forestry Commission Wales receive funding from Interreg 111C Joint Technical Secretariat which is then distributed between the partners. The project ended in December 2007 but the last payment will not be received until April 2008. As third party assets these sums are not recorded on the face of these accounts. At the 31 March 2008, the amount held in Forestry Commission bank accounts was £nil.

### 16(b) Intra-Government Balances

|   | Amounts falling due<br>within one year |              | Amounts falling due<br>after more<br>than one year |            |
|---|--|--------------|--|------------|
|   | £000                                   |              | £000   |            |
|   | 2007-08                                | 2006-07      | 2007-08  | 2006-07    |
| Balances with other central government bodies       | -                                      | 248          | -  | -          |
| Balances with local authorities                     | 1                                      | 39           | -  | -          |
| Balances with NHS Trusts                            | -                                      | -            | -  | -          |
| Balances with public corporations and trading funds | -                                      | -            | -  | -          |
| Intra-government balances                           | <u>1</u>                               | <u>287</u>   | -  | -          |
| Balances with bodies external to government         | 4,524                                  | 4,303        | 259  | 262        |
| <b>Total creditors at 31 March</b>                  | <u>4,525</u>                           | <u>4,590</u> | <u>259</u>   | <u>262</u> |

### 17. Provisions for liabilities and charges

|                                      | Early<br>departure<br>cost<br>£000 | Public<br>legal<br>claims<br>£000 | Other<br>legal<br>claims<br>£000 | Total<br>£000 |
|--------------------------------------|------------------------------------|-----------------------------------|----------------------------------|---------------|
| Balance at 1 April 2007              | 131                                | -                                 | 79                               | 210           |
| Provided in the year                 | 104                                | -                                 | 160                              | 264           |
| Provisions not required written back | 1                                  | -                                 | -                                | 1             |
| Utilised in the year                 | (77)                               | -                                 | -                                | (77)          |
| Unwinding of discount                | (1)                                | -                                 | -                                | (1)           |
| <b>Balance at 31 March 2008</b>      | <u>158</u>                         | <u>-</u>                          | <u>239</u>                       | <u>397</u>    |

### 17(a) Early departure costs

Forestry Commission Wales meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forestry Commission Wales provides for this in full when the early retirement programme becomes binding on the agency by establishing a provision for the estimated payments.

### 17(b) Legal claims

Provision has been made for various legal claims against Forestry Commission Wales. The provision reflects all known claims where legal advice indicates that it is more than probable that the claim will be successful and the amount of the claim can be reliably estimated.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 25. Public legal claims are those claims from the public for personal injury or damage caused to property, and other legal claims are for compensation for injury to employees.

## 18. General Fund

The General Fund represents the total assets less liabilities to the extent that the total is not represented by other reserves and financing items.

|   | <b>2007-08</b>        | <b>2006-07</b>        |
|---|-----------------------|-----------------------|
|   | <b>£000</b>           | <b>£000</b>           |
| Balance at 1 April  | 114,515               | 114,212               |
| Net operating cost for the year                                 | (27,968)              | (29,101)              |
| Funding from the Welsh Assembly:                                |                       |                       |
| Drawn down  | 21,348                | 22,263                |
| Deemed supply   | 184                   | 1,310                 |
| Amounts issued from the Welsh Assembly for supply but not spent | (830)                 | (184)                 |
| Notional cost of capital  | 7,413                 | 5,511                 |
| Transfer of fixed assets from/to other forestry bodies          |                       | -                     |
| Transfer from Revaluation Reserve                               | 150                   | 331                   |
| Timing between accrual and cash VAT                             | (4)                   | 166                   |
| Non-cash inter-country transfers                                | 9                     | 7                     |
| <b>Balance at 31 March</b>                                      | <b><u>114,817</u></b> | <b><u>114,515</u></b> |

## 19. Reserves

### 19(a) Revaluation Reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of professional valuations and indexation.

|   | <b>2007-08</b><br>£000 | <b>2006-07</b><br>£000 |
|---|------------------------|------------------------|
| Balance at 1 April  | 47,423                 | 36,801                 |
| Arising on revaluation during the year  |                        |                        |
| Forest Estate   | 93,578                 | 9,812                  |
| Land  | 1,494                  | 674                    |
| Forest Holidays   | 97                     | -                      |
| Dwellings and other buildings   | 217                    | 467                    |
| VME   | (10)                   | -                      |
|   | <b>95,376</b>          | <b>10,953</b>          |
| Transferred to general fund in respect of realised element of revaluation reserve | (150)                  | (331)                  |
| <b>Balance at 31 March</b>  | <b>142,649</b>         | <b>47,423</b>          |

### 19(b) Government Grant Reserve

|                           | <b>UK</b><br>£000 | <b>EU</b><br>£000 | <b>2007-08</b><br>£000 | <b>2006-07</b><br>£000 |
|---------------------------|-------------------|-------------------|------------------------|------------------------|
| Balance at 1 April        | 462               | 2,242             | 2,704                  | 2,064                  |
| Additions during the year | 9                 | 165               | 174                    | 554                    |
| Revaluations              | 29                | 115               | 144                    | 202                    |
| Release to I&E            | (31)              | (126)             | (157)                  | (116)                  |
| Balance at 31 March       | <b>469</b>        | <b>2,396</b>      | <b>2,865</b>           | <b>2,704</b>           |

## 20. Notes to the Cash Flow Statement

### 20(a) Reconciliation of operating cost to operating cash flows

|   |     | <b>2007-08</b><br>£000 | <b>2006-07</b><br>£000 |
|---|-----|------------------------|------------------------|
| Net operating cost  |     | <b>(27,968)</b>        | <b>(29,101)</b>        |
| Adjustments for non-cash transactions                                 | 6/8 | 8,346                  | 6,393                  |
| Timing between accrual and cash VAT                                   |     | (4)                    | 166                    |
| Non-cash inter-country transfers                                      |     | 9                      | 7                      |
| (Increase)/decrease in stock  |     | (678)                  | 142                    |
| (Increase)/decrease in debtors  |     | (476)                  | (685)                  |
| less movements in debtors relating to items not passing through OCS   |     | (275)                  | 911                    |
| Increase/(decrease) in creditors                                      |     | (68)                   | (2,730)                |
| less movements in creditors relating to items not passing through OCS |     | (646)                  | 1,130                  |
| Use of provisions   | 17  | (77)                   | (76)                   |
| <b>Net cash outflow from operating activities</b>                     |     | <b>(21,837)</b>        | <b>(23,843)</b>        |



## 20(b) Analysis of capital expenditure and financial investment

|   |    | 2007-08<br>£000 | 2006-07<br>£000 |
|---|----|-----------------|-----------------|
| Tangible fixed asset additions                    | 11 | (725)           | (1,463)         |
| Proceeds of disposal of fixed assets              |    | 301             | 1,342           |
| Lease repayments                                  |    | -               | 21              |
| Loans to other bodies                             |    | -               | -               |
| Repayment of loans to other bodies                |    | -               | -               |
| <b>Net cash outflow from investing activities</b> |    | <b>(424)</b>    | <b>(100)</b>    |

## 20(c). Analysis of capital expenditure and financial investment by Request for Resources

|                                   | Capital<br>expenditure<br>£000 | A in A<br>£000 | Net<br>Total<br>£000 |
|-----------------------------------|--------------------------------|----------------|----------------------|
| Request for resources             | 725                            | -              | 725                  |
| Net movement in debtors/creditors |                                |                |                      |
| <b>Total 2007-08</b>              | <b>725</b>                     | <b>-</b>       | <b>725</b>           |
| <b>Total 2006-07</b>              | <b>1,463</b>                   | <b>(1,342)</b> | <b>121</b>           |

## 20(d). Analysis of financing

|   | Note | 2007-08<br>£000 | 2006-07<br>£000 |
|---|------|-----------------|-----------------|
| From the Welsh Assembly                                     | 18   | 21,532          | 23,573          |
| Deemed supply   |      | (184)           | (1,310)         |
| Government grant applied to the acquisition of fixed assets |      | 174             | 554             |
| Capital element of payments in respect of finance leases    |      | -               | -               |
| <b>Net financing</b>  |      | <b>21,522</b>   | <b>22,817</b>   |

## 20(e). Reconciliation of Net Cash Requirement to increase/(decrease) in cash

|                                    | Note  | 2007-08<br>£000 | 2006-07<br>£000 |
|------------------------------------|-------|-----------------|-----------------|
| Net cash requirement               |       | <b>(22,087)</b> | <b>(23,389)</b> |
| From Welsh Assembly                | 20(d) | 21,532          | 23,573          |
| Deemed supply                      |       | (184)           | (1,310)         |
| WEFO deferred income               |       | -               | (4)             |
| <b>Increase/(decrease) in cash</b> |       | <b>(739)</b>    | <b>(1,130)</b>  |

## 21. Notes to the Consolidated Statement of Operating Costs by Departmental Aim and Objectives

Expenditure in net operating costs by Department Aim and Objectives comprises the direct costs incurred by Forestry Commission Wales' national office and indirect costs which have been allocated by individual cost centres or apportioned pro rata to the directly attributable costs. An analysis was undertaken to determine the costs attributable to each of the objectives for the core department. In a multi-benefit forestry strategy where many activities will contribute to more than one objective, the allocation of costs has been undertaken by senior staff in each area based on an informed judgement of each activity.

## 22. Capital Commitments

Amounts contracted for but not provided for in the accounts amounted to £315,000, with £105,000 pertaining to ground-works at Garwnant Visitor Centre and £210,000 for the refurbishment of the Coed Y Mynydd forest district office.

## 23. Commitments under leases

### 23.1 Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

|   | 2007-08<br>£000 | 2006-07<br>£000 |
|---|-----------------|-----------------|
| Obligations under operating leases comprise:  |                 |                 |
| Buildings:                                    |                 |                 |
| Expiry within 1 year                          | -               | -               |
| Expiry after 1 year but not more than 5 years | 3               | -               |
| Expiry thereafter                             | 54              | 53              |
| <b>Total</b>                                  | <b>57</b>       | <b>53</b>       |
| Other:  |                 |                 |
| Expiry within 1 year                          | 95              | 26              |
| Expiry after 1 year but not more than 5 years | 336             | 435             |
| Expiry thereafter                             | -               | -               |
| <b>Total</b>                                  | <b>431</b>      | <b>461</b>      |

### 23.2 Finance leases

Obligations under finance leases are as follows:

|   | 2007-08<br>£000 | 2006-07<br>£000 |
|---|-----------------|-----------------|
| Rentals due in one year or less                                 | 33              | 33              |
| Rentals due in more than one year but not more than two years   | 33              | 30              |
| Rentals due in more than two years but not more than five years | 61              | 47              |
| Rentals due in more than five years                             | 166             | 185             |
| <b>Total</b>  | <b>293</b>      | <b>295</b>      |

## 24. Other financial commitments

Following approval of a management plan for planting proposals, Forestry Commission Wales undertakes to pay planting grants in two instalments. Forestry Commission Wales was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £3.3 million as at 31 March 2008 (£2.8 million in 2006-07). Grants for the management of existing woodlands are payable annually in arrears during the five-year currency of an approved plan, so long as specific objectives and age criteria are met. Commitments to future payments in respect of approved plans amounted to £2.6 million at 31 March 2008 (£1.5 million in 2006-07).

## 25. Contingent liabilities disclosed under FRS 12

There were no contingent liabilities at 31 March 2008.

## 26. Post balance sheet events

These financial statements were authorised for issue on 04 August 2008 by the Accounting Officer.

## 27. Related party transactions

Forestry Commission Wales has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission Wales has had dealings are H M Treasury, Welsh Assembly, UK Co-ordinating Body, the Paymaster General's Office, HM Revenue and Customs and the Department for the Environment, Food and Rural Affairs.

During the year, Forestry Commission Wales entered into the following material transactions involving the non-executive Commissioners of the Forestry Commission:-

Martin Gale, a non-executive Forestry Commissioner, was Chairman of Tilhill Forestry until 30th May 2007, and Vice President of UPM Corporation until 30th May 2007 and is a non-executive Director of BSW Timber plc. UPM Corporation is the parent company of Caledonian Paper and Tilhill Forestry Ltd. Tilhill Forestry has an interest in BSW Timber plc.

The value of purchases from Forestry Commission Wales was:

|                  |            |
|------------------|------------|
| BSW Timber plc   | £1,674,000 |
| Tilhill Forestry | £1,360,000 |

Amounts owing to Forestry Commission Wales at 31 March 2008 was:

|                  |          |
|------------------|----------|
| BSW Timber plc   | £307,000 |
| Tilhill Forestry | £299,000 |

## 28. Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which government departments are financed, Forestry Commission Wales is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The department has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are held not to change the risks facing the department in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature and become payable within 12 months from the balance sheet date have been omitted from the liquidity profile.

### *Liquidity risk*

The Welsh Assembly makes provision for the use of resources by Forestry Commission Wales, for revenue and capital purposes, in its budget for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the budget. The budget also specifies an overall cash authorisation to operate for the financial year. Forestry Commission Wales is not, therefore, exposed to significant liquidity risks.

### *Interest-rate risk*

Forestry Commission Wales is not exposed to interest-rate risk.

### *Foreign currency risk*

Forestry Commission Wales is not exposed to foreign currency risk.

#### *Fair Values*

There is no difference between book value and fair value for the cash at bank shown in Note 15. Fair value for the provisions shown in Note 17 is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury rate of 2.2% in real terms.

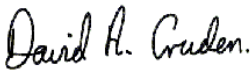
#### **29. Entities within the departmental boundary**

There were no other entities within the boundary during 2007-08.

**FORESTRY COMMISSION WALES**

**ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH PARAGRAPH 5 OF SCHEDULE 7 TO THE GOVERNMENT OF WALES ACT 1998**

1. Subject to the requirements of paragraph 2 below, the Forestry Commission shall prepare resource accounts for the year ended 31 March 2005 in respect of its activities in Wales in compliance with the accounting principles and disclosure requirements of the H M Treasury Resource Accounting Manual ("the Resource Accounting Manual"). In subsequent financial years, the resource accounts shall comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual issued by H M Treasury in force for that financial year.
2. In addition to the requirements of the Resource Accounting Manual/ Government Financial Reporting Manual, the accounts shall include
  - a. (2004-05 only) a note showing the impact of the absorption of Forest Enterprise Wales; and
  - b. a note ("Management of Welsh Assembly Woodlands") analysing the income and expenditure of the operations of Forest Enterprise in Wales, together with comparative figures for the previous financial year.
3. The accounts shall be prepared so as to give a true and fair view of the state of affairs of the body as at 31 March of the financial year to which it applies, and the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended.
4. Compliance with the requirements of the Resource Accounting Manual/Government Financial Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the Resource Accounting Manual/Government Financial Manual is inconsistent with the requirement to give a true and fair view the requirements of the Resource Accounting Manual/Government Financial Manual should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment, which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual/Government Financial Manual. Any material departure from the Resource Accounting Manual/Government Financial Manual should be discussed in the first instance with the Treasury.
5. This direction supersedes that given to the Forestry Commission dated 25 October 2000.



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David A Cruden FCA  
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9 September 2005