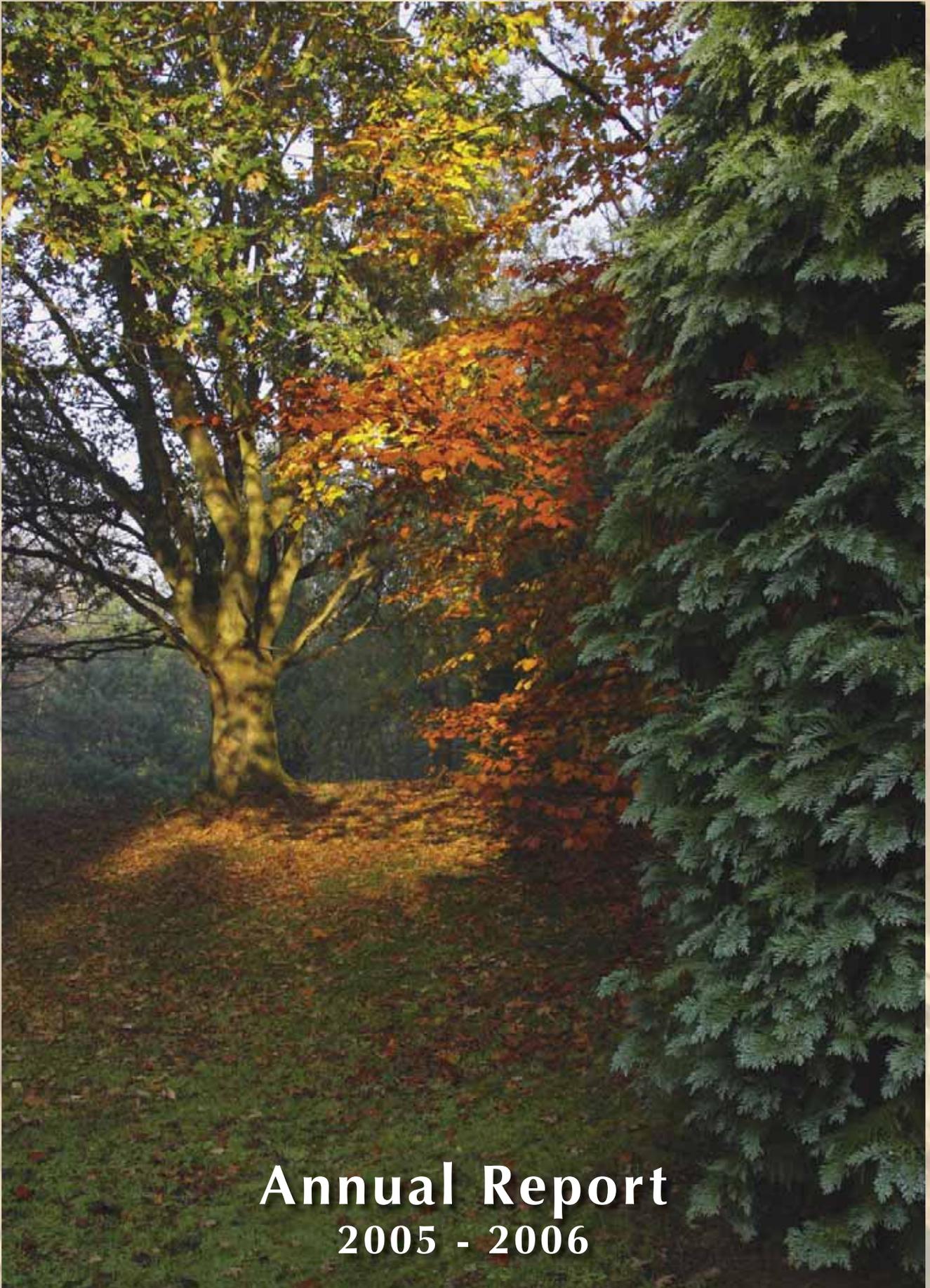




FOREST SERVICE



# Annual Report 2005 - 2006



An Agency within the Department of  
**Agriculture and  
Rural Development**  
[www.dardni.gov.uk](http://www.dardni.gov.uk)

AN POINN  
Talmhaíochta agus  
Forbartha Tuaithe  
MANNYSTRE O  
Fairs an  
Kintra Forderin



INVESTOR IN PEOPLE

Front cover:  
Belvoir Park Forest Arboretum

**Forest Service Annual Report and Accounts  
For the year ended 31 March 2006**

*Laid before the Houses of Parliament, by the Department of Agriculture and Rural Development in accordance with Paragraph 12(2) and (4) of the Schedule to the Northern Ireland Act 2000 and Paragraph 36 of the Schedule to the Northern Ireland Act 2000 (Prescribed Documents) Order 2004.*

*19 July 2006*

*Laid before the Northern Ireland Assembly under section 11(3) (c) of the Government Resources and Accounts Act (Northern Ireland) 2001 by the Department of Agriculture and Rural Development.*

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Sloughan Glen, Co. Tyrone

# Chief Executive's Foreword

I am pleased to present the Annual Report and Accounts of the Forest Service for the year ended 31 March 2006.

We achieved all of our Key Targets set by the Minister and achieved or substantially achieved 7 of the 9 Other Targets that relate to our main operational activities. We performed well against our 4 Performance Standards, with 3 targets met.

Sustaining our existing forests and woodlands remains the Agency's key business objective and this was emphasised in the forestry policy document: 'A Strategy for Sustainability and Growth', announced by the Minister in March 2006. As well as sustaining existing forests, the strategy commits us to expanding the area of forest significantly over coming years, obtaining better value from the public forest estate and developing the potential for increased recreational activity. During the year, we were successful in having our certified status under the UK Woodland Assurance Standard renewed for a further five-year period.

A highlight of the year was the 50<sup>th</sup> anniversary of the opening of Tollymore Forest Park to the public, when invited guests attended the opening of an exhibition staged to mark the occasion.

On 9 January 2006, Lord Rooker, Minister of Agriculture and Rural Development, announced the sale of Gosford Castle, Northern Ireland's largest Grade A listed building. This will secure the future of the Castle which is in urgent need of restoration.

I would like to take this opportunity to express appreciation to the staff of the Agency for their commitment, efforts and support throughout the year in enabling the Agency to deliver the good outcomes that have been achieved.



**Malcolm Beatty**  
**Chief Executive**



**Eucryphia - Belvoir Park Forest**

# Directors' Report

## Management Board

The Forest Service Management Board consists of the Chief Executive, three executive directors and one non-executive director. The Chief Executive has overall responsibility for achieving the aims, objectives and targets set out in the Corporate and Business Plans, with each executive director having ownership and responsibility for achieving objectives and targets within their management control.

The Agency's headquarters are at Dundonald House in Belfast and its operational activities are organised through three Districts, West, East and North, with offices at Enniskillen, Castlewellan and Garvagh. A training centre at Pomeroy Forestry School ceased operations at the end of the year and forestry training is now provided by the College of Agriculture, Food and Rural Enterprise.

Appointments to the Board are normally made by open competition or internal promotion. At 31 March 2006, the Board's membership was:

<b>Chief Executive</b>	<b>Malcolm Beatty FICFor</b>
<b>Director - Operations</b>	<b>John Joe O'Boyle</b>
<b>Director - Policy and Standards</b>	<b>Stuart Morwood MICFor</b>
<b>Director - Corporate Services</b>	<b>Crawford McCully</b>
<b>Non-executive Director</b>	<b>Ian Forshaw BSc(For) FSA(Scot)</b>

- Pat Hunter Blair, Director of Policy and Standards, left the NICS on 1 July 2005
- Crawford McCully, Director of Corporate Services, retired in early April 2006
- Stuart Morwood was appointed Director of Policy and Standards on 14 November 2005
- Gerry Hill was appointed Director of Corporate Services in April 2006

Following an open competition, Malcolm Beatty was appointed Chief Executive on 26 March 1998 under the Senior Civil Service Management Code. The Chief Executive's pay is explained in the Remuneration Report.

## Accounts Direction

The Forest Service's audited Accounts for the Financial Year 31 March 2006 have been prepared in accordance with the Department of Finance and Personnel Direction under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

## History and Statutory Background

The Forest Service is an Executive Agency within the Department of Agriculture and Rural Development and is subject to the overall direction of the Minister with responsibility for the Department. The Department is responsible for promoting the interests of forestry under the 1953 Act.

The Chief Executive is responsible to the Minister for the Agency's operations and performance. The Minister determines the policy framework within which the Agency operates, the level of resources made available each year and the scope of Agency activities. The Minister also approves the annual business plans, sets key performance targets and monitors the Agency's performance.

The Forest Service has been an Agency since 1 April 1998. The Agency's Framework Document sets out the context within which it operates. This includes its role, business objectives, performance measures, relationship with the Department and its accountability to the Minister and Parliament.

## Aims

The aims of the Agency set out in the Framework Document are:

**“to contribute to the economic development of the entire forestry sector in Northern Ireland, whilst at the same time promoting the sustainable management of forests for multiple use and conserving and enhancing the rural environment”.**

## Objectives

Forest Service objectives give practical expression to these aims and are as follows:

### Operational

- to encourage the extension of the areas of public and private woodland in Northern Ireland.
- to promote the supply of wood from within Northern Ireland for industrial use.
- to promote access to and use of Northern Ireland forests.
- to protect and conserve forests and the associated areas of special natural and heritage interest.

## **Customer Service**

- to pursue continuous improvement in the delivery and quality of service to the public in line with the principles set down in the Agency's Customer Charters.

## **Value for Money/Efficiency**

- to maximise operational use and financial returns on the assets of the Forest Service estate through wood production and the exploitation of commercial opportunities.
- to secure ongoing value for money and improve efficiency and effectiveness in the management of the Agency through the application of best management practice and standards.
- to extend private sector competition and other efficiency measures in the provision of services, including, where possible, the development of public and private sector partnerships.
- to promote the involvement of private finance in Northern Ireland forestry.

## **Pension Costs**

Further details in relation to the pension schemes are given in accounting policy note 1.4 to the accounts and in the Remuneration Report.

## **Conflict of Interests**

No member of the Board holds a position in any company which may conflict with their management responsibilities.

## **Auditors' Remuneration**

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland. As head of the Northern Ireland Audit Office, he is wholly independent and reports his findings to Parliament.

The audit of the financial statements for 2005-06 resulted in an audit fee of £16,000 (2004-05: £21,200) and is included in Other Admin Costs in the Operating Cost Statement. The auditors did not provide any non-audit services during the year.

## **Disclosure of information**

All accounting records were provided to the auditors for the purpose of the audit and all transactions undertaken by the Forest Service have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which the auditors requested were supplied to them.



**Malcolm Beatty**  
Chief Executive  
28 June 2006



**Willow Coppice - Loughgall**

# Management Commentary

## Achievements against Key Ministerial Targets

The Forest Service Business Plan identifies a number of key performance targets that cover the full spectrum of forestry objectives and outputs

Operational Outputs	2005/2006 target	2005/2006 outturn	2006/2007 target
Forest Policy implementation strategy	By 31 March 2006, publish a strategy for the delivery of Forest Policy and begin the legal process to support implementation	<b>Target achieved</b> The Strategy paper was published on 24 March 2006	Preliminary work will take place to revise the Forestry Act (1953) and targets will be identified in succeeding years
Establish new plantations in public and private sectors combined	By 31 March 2006, establish 500 hectares of new plantations	<b>Target achieved</b> 606 hectares	Achieve the planting of 500 ha of new plantations, including 100 ha of Short Rotation Coppice willow (SRC)
Sustainable management	By 31 March 2006, renew Forest Service certification under the UK Woodland Assurance Standard	<b>Target achieved</b> Certificate no. SGS-FM/COC-0455 issued	Retain the Certificate of good forest management under the UK Woodland Assurance Standard
Sell timber to the wood processing sector	By 31 March 2006, sell 400,000 cubic metres of timber	<b>Target achieved</b> 419,000 cubic metres	Sell 400,000 cubic metres of timber to the wood processing sector

## Achievements against Other Targets

Target area	2005/2006 target	2005/2006 outturn
Grow timber for renewable energy	Increase the area of Short Rotation Coppice willow for energy production by 100 ha	<b>Target achieved</b> 198 ha
Regeneration of plantations	Revise performance standards for the regeneration of forests after harvesting and fires	<b>Target achieved</b> Strategy produced
	Replant 750 ha of land following harvesting	<b>Target achieved</b> 840 ha replanted
Promote access to and use of forests for recreational purposes	Develop a commercial strategy to improve visitor experience in major forest parks and recreation areas	<b>Target not achieved</b> Preliminary work has been completed.
	Achieve an average year on year of 400,000 paying visitors to forests	<b>Target achieved</b> 432,000 paying visitors
	Support the Countryside Access and Activities Network to develop an off-road Cycling Strategy for NI and deliver 3 Family Cycling Trails	<b>Target achieved</b> 3 Family Cycling Trails constructed
Legislation	Amend the Statutory Rules on Plant Health (Wood and Bark)	<b>Target achieved</b> 3 Statutory Rules were introduced giving effect to various EU Directives
Use of resources	Devise and begin implementation of a commercial property management strategy based on rationalisation	<b>Target not achieved</b>
Efficiency and effectiveness	Reduce the costs of industrial absenteeism by 1%	<b>Target achieved</b>

## Achievements against Performance Standards

Performance Standards	2005/2006 target	2005/2006 outturn
Customer Service standards	Pay 90% of Woodland Grant Scheme and Farm Woodland Premium Scheme claims within 8 weeks of receipt of a properly completed claim form	<b>Performance standard not achieved</b> 76% paid
	Respond to 90% of written correspondence within 15 working days	<b>Performance standard achieved</b> 95% responded to
Financial control standards	Achieve a financial outturn that is within the targeted net cost of the forestry programme.	<b>Performance standard achieved</b>
	Maintain expenditure within resource limits and to approved budgets	<b>Performance standard achieved</b>

## Forest expansion

### Extending the area of woodland in Northern Ireland

Private landowners planted 592 hectares of new woodland under the Woodland Grant Scheme and the Forest Service planted 14 hectares, making a total of 606 hectares, which exceeded our key target of 500 hectares.

Over 93% of new planting was carried out with broadleaved species, of which one third is willow (*Salix viminalis*) for energy plantations. The planting complied with the requirements of the UK Forestry Standard and accompanying guidelines, supported by Woodland Grants totalling £2.01m, co-funded by the European Union.

The Challenge Fund for Short Rotation Coppice Energy Crops continued into its second phase in 2005 and an additional 170 ha were approved for planting over the next two years.

## Sustainable forest management

### Promoting and sustaining the supply of wood from within Northern Ireland for industrial use

The Forest Service sold 419,000 m<sup>3</sup> of timber during the year, which exceeded the key target of 400,000 m<sup>3</sup>. The total volume of wood dispatched from forests during the year amounted to 387,000 cubic metres. Appendix 1 (Tables 1 and 2) shows records of harvesting for the period 2004-2006 and sales for the 2005-2006 year.

We were able to achieve a modest increase in the volume of timber sold of 5,000m<sup>3</sup> over last year. Timber receipts were £5.48m for the year. The average prices received for roadside and standing conifer timber are shown in Appendix 2. We continue to work positively with our customers and the long term contracts agreed last year have secured our market for the next 3 years.

Following harvesting, the Forest Service replanted 840 hectares against the target of 750 hectares.



## **Promoting access to and use of Northern Ireland forests**

In June 2005 we celebrated 50 years of public access to forests by opening an exhibition on the history and development of Tollymore, which was Northern Ireland's first Forest Park. Our forests continue to be used extensively for informal public recreation. We exceeded our target of 400,000 paying visitors by a margin of 32,000, but this was a 15% decrease in numbers compared to the previous year. Our performance is very dependent on attracting visitors over the Easter holiday period, and as Easter itself did not fall within the accounting period, there was an obvious impact on the number of visitors.

We spent £1.6m maintaining the paths, toilet blocks and other visitor facilities, and recovered £0.7m from charges. We were able to make a further modest investment of £0.02m in a footbridge at Glenariff to complete a £0.4m project that took place over several years of restoration of the Waterfall Walk.

We were pleased to secure investment to increase forest recreation capacity by several of our social partners. We leased land to Armagh City District Council for the provision of Exercise Stations at the Trim Trail at Loughgall, we provided a licence to Countryside Recreation Northern Ireland to build three family cycling trails at Castle Archdale, Castlewellan and Gosford forests, which we will maintain. We made progress with Fermanagh District Council and Coleraine Borough Council about the provision of Sustrans cycling routes at Florencecourt and Garvagh forests. We were able to provide forest guides for walking and cycling events promoted by Coleraine and Ballymoney Borough Councils, and provided a venue for Celtic Fusion organised by Down District Council.

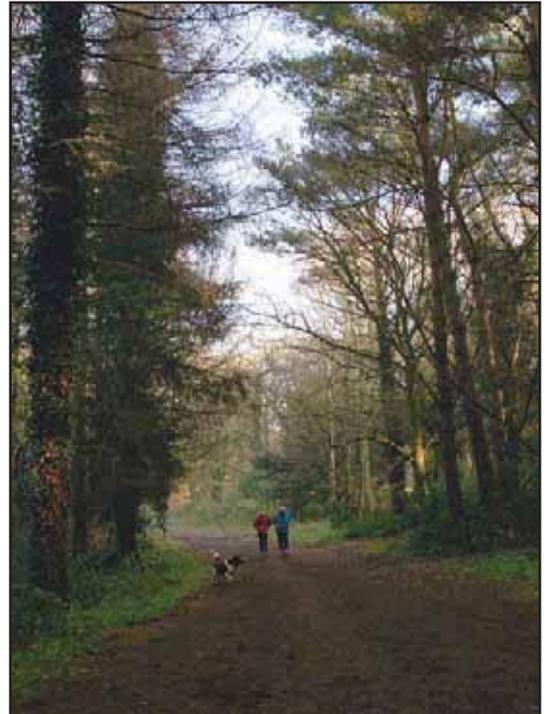
We were also able to assist several community-based organisations to improve access to forests. We reached agreement with Shopmobility Belfast to provide powered scooters at Castlewellan Forest Park in association with the Disabled Ramblers' Association. We upgraded existing paths at Castlewellan and Tollymore Forest Parks as part of the Newcastle Challenge Trail, established a walking link at Glenariff Forest Park with the Glenravel Environmental Improvement Association, and reviewed a licence issued to a mountain bike club to construct and maintain a trail at Belvoir Park Forest. We reviewed the concession to provide discounted season permits for people aged over 60, and 1400 permits were sold.

Unfortunately we were not able to reach agreement with the Countryside Access and Activities Network on their proposals to construct cross country and downhill mountain bike trails in forests because of our concerns about the impact on forest structure and affordability. This prompted significant media interest and led to the issue of a press statement by the Minister on 28 July 2005. A public consultation meeting was held on 17 December 2005 to commence an effective consultation process with mountain bikers on the issue of their use of public forests.

We were grateful that several forests received media recognition during the year, which prompted visitors to make greater use of local forests. Media interest also focused on examples of anti-social behaviour. We initiated legal action to remove a number of individuals who gained unauthorised access to campsites. We will endeavour to ensure that those who use our forest parks lawfully can do so without annoyance from others.

We held a number of special events to encourage visitors to use forests. An Open Event on May Day promoted awareness of forest biodiversity, and our environmental partners, including World of Owls and the RSPB, attracted significant interest in their displays. A new Tollymore education programme 'The World Around Us' was launched in association with the South

Eastern Education & Library Board and our guides facilitated approximately 8,500 educational visitors. We monitored education visitor returns in relation to Section 75 of the Northern Ireland Act and found that equal proportions of visits were from maintained and controlled schools.



## **Forest Protection and Environmental Enhancement**

In 2005/06 three pieces of legislation were introduced:

- The Plant Health (Wood and Bark) (*Phytophthora ramorum*) Order (NI) 2005 which consolidated previous legislation and which prohibits the introduction into and spread within Northern Ireland of the pest *Phytophthora ramorum*. The Order also provides controls should the pest be introduced.
- The Plant Health (Import Inspection Fees) (Wood and Bark) Regulations (NI) 2005 implemented a requirement for EU harmonised rules in respect of inspection and fees for wood imported from Third Countries.
- The Plant Health (Wood and Bark) Order (NI) 2006 consolidated existing plant health legislation and introduced EU amendments in relation to plant health controls.

We continued working to protect forests from attack by exotic insects by monitoring and inspecting imports on a risk basis. We were grateful for the co-operation of DARD Portal Inspectors in identifying commodities from China, Japan, Canada and the USA for inspection and the issuing of Certificates of

Inspection and Clearance. We issued 684 Certificates and no detention notices were issued this year.

We issued 1,386 phytosanitary certificates, mainly for wooden packaging that accompanies manufactured goods being exported.

We were grateful to staff from the Department's Science Service for their assistance in surveys of forests for exotic insect pests and harmful fungi, and we co-ordinated our effort with that of the Department in a survey of 30 Forest Service and privately owned woodlands for the presence of the fungus *Phytophthora ramorum* which causes the disease sudden oak death. The disease was not found to be present. The five permanent survey stations for *Ips typographus* and *Ips cembrae* bark beetles were baited with pheromones in the summer of 2005 and no beetles were captured.

A total of 96 projects were assessed for compliance under the Environmental Impact (Forestry) Regulations (NI) 2000. Opinions were provided for 4 deforestation projects, 50 afforestation projects and 42 short rotation coppice (SRC) projects. One afforestation project was considered relevant due to possible adverse effects on Whooper Swans in an adjacent Special Protection Area. Two proposals for short rotation coppice planting were modified because of the potential impact of afforestation on known lapwing breeding sites.

The biodiversity survey was completed and we assessed the final 43 Forest Management Units (approximately one sixth of the Forest Service estate) to identify areas of particular importance to biodiversity. Survey results were made available to managers to assist forest planning.

Field surveys were undertaken in 12 plantations on ancient woodland sites identified in our PAWS restoration strategy. These surveys covered a total of 200 hectares. Survey results will be incorporated into our management plans to restore PAWS to native woodland.

### **Customer Service and Quality**

We remain committed to providing all our customers with a high standard of service. Customers include the public who visit our forests and buildings,



David McAllister

**Whooper Swan**

sawmill owners, and applicants for grant aid. The standards we use are published in Customer Charters.

We achieved 3 of our 4 performance standard targets. We failed to achieve our target for the payment of Woodland Grant and Farm Woodland Premium Scheme claims within 8 weeks of receiving them (76% paid compared to our target of 90%). This unusually low performance resulted from unavoidable absences of key staff for a prolonged period. Our performance in respect of our financial standards is detailed on pages 21-22.

We received 100 complaints and responded to 89 (89%) within 15 days. The circumstances of each complaint were thoroughly investigated. We maintain a continuous postal survey of grants customers and 93% of respondents expressed satisfaction with the overall quality of services we provided to them.

## **Publications**

A list of Forest Service publications is posted on our web site at [www.forestserviceni.gov.uk](http://www.forestserviceni.gov.uk) . Information on what we publish and make routinely available can be located within the Department of Agriculture and Rural Development Publications Scheme. This scheme is available in hard copy from the Information Management Unit, Room 507, Dundonald House, or on the Department's web site at [www.dardni.gov.uk](http://www.dardni.gov.uk) .

## **Managing the Business**

### **Corporate Governance**

The Agency made further progress to improve its system of internal control to provide reasonable assurance of the effectiveness of the Agency's internal control regime and to meet the requirement of the Department of Finance and Personnel. The Agency appointed Mr Ian Forshaw, the Forestry Commission Director for Wales, to serve as a non-executive member of the Forest Service Management Board and chairman of the Forest Service Corporate Governance and Audit Committee. Mr John Hagan, Chief Executive of the Rivers Agency, agreed to serve as an independent member of the Committee. A detailed description of the Agency's system of internal control is given on pages 36-37.

### **Business Continuity**

In April 2005 we signed a memorandum of understanding with the Northern Ireland Fire and Rescue Service on co-operation at forestry incidents, which clarifies roles for planning, training, mobilising inter-agency working on scene and strategic issues. Pre-season fire plan and end of season review and evaluation meetings were held in Forest Districts and attended by personnel

from Forest Service, NI Fire and Rescue Service, Environment & Heritage Service and other stakeholders.

We strengthened our provision for mobile communications by agreeing with the Police Service of Northern Ireland to make use of the PSNI Terrestrial Trunked Radio System under a Service Level Agreement.

We also agreed to support the Department's contingency planning measures for an outbreak of epizootic disease by agreeing an internal memorandum of understanding with the Department's Veterinary Service in respect of the provision of emergency assistance where a national emergency has been officially declared.

## **Human Resource Development**

The Forest Service follows the NI Civil Service policy that all eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. In addition, the Forest Service seeks to create a harmonious and neutral working environment which accommodates diversity and is free of harassment.

The Forest Service follows the NI Civil Service Code of Practice on the employment of people with disabilities. The Forest Service aims to ensure that disability is not a barrier to recruitment or advancement, nor that it unreasonably limits training opportunities and career development. Twenty-four staff have declared having either a disability or long-term health condition.

The Forest Service consults with representatives of the industrial workforce at the Joint Industrial Council. Non-industrial staff are consulted through Whitley Council mechanisms.

The Forest Service has a Human Resource Strategy and is committed to the Investors in People standards. It places a high priority on staff training and development in order to enhance staff skills for the achievement of its business objectives and to improve job satisfaction. The following indicates the Agency's commitment to staff development:

- We are committed to ensuring that our staff have the necessary competencies to achieve the business objectives of the Agency;
- We encourage staff to pursue their personal development and communicate all opportunities available to them;
- We are committed to achieving business excellence through continuous improvement and to maintaining the Investors In People standard;
- We develop staff, consistent with the Agency's policies on equal opportunities and health and safety and other relevant legislation; and
- We commit resources to fulfil the training and development aims.

The Management Board encourages consultation and exchange of information within the Agency. This is brought about through team briefings, circulars, newsletter and utilisation of the Forest Service intranet. There are also well established arrangements for formal consultation with representatives of the trade unions (both non-industrial and industrial) on all significant developments likely to impact on staff.

We have made staff aware that their personal objectives contribute to the business objectives of the Agency. Accordingly they are responsible, in consultation with their line managers, for planning their personal development in ways that will enable them to contribute to the achievement of the Agency's business objectives by meeting the current demands of the job and maximising their future contribution.

We delivered training to our own staff and external participants in a range of technical skills through our school at Pomeroy. We provided instruction in the use of the Tetra digital radio system, and provided seminars for technical staff and private forestry contractors and consultants about the revised Forests and Water Guidelines. We were grateful to the Environment and Heritage Service (EHS) and the Fisheries Division of the Department of Culture Arts and Leisure for providing speakers.



*Tetra digital radios*

The demand for training at Pomeroy Forestry School has now reduced to the extent that the Management Board concluded that a more effective and efficient service could be delivered by another provider. Arrangements were made to transfer our capability to the Department's College of Agriculture, Food and Rural Enterprise (CAFRE). Training at Pomeroy ceased at the end of the year.

The Forest Service is committed to adhering to all existing health and safety legislation to ensure that staff and customers enjoy the benefits of a safe environment.

Procedures in managing health and safety in forest operations were revised and implemented to better reflect the health and safety framework outlined in HSE's document 'Managing health and safety in forestry'. Accident reporting procedures were also revised.

## **Information Systems and Development**

Forest Service continues to make effective use of information systems supported by information technology. The main vehicle for communicating with the public is our Internet web site [www.forestserviceni.gov.uk](http://www.forestserviceni.gov.uk). This is supplemented by a dedicated Peace Maze web site [www.peacemazeni.gov.uk](http://www.peacemazeni.gov.uk). Substantial work has been carried out on both sites to further develop them using the W3C (World Wide Web Consortium) Web Accessibility Initiative guidelines to promote a high degree of usability for people with disabilities. We co-operated with DARD in its review of Departmental websites.

## **Geographical Information System**

The Forest Service Geographical Information System (FSGIS) which was implemented in June 2004 is now established.

The FSGIS Project Team, in conjunction with the system supplier, is investigating opportunities for developing software that will facilitate the use of “out of office” digital mapping.

## **Financial Performance**

### **Resource Accounting and Budgeting**

Throughout the year the Agency monitored performance against its Resource Based Budget on an accruals basis.

### **Net Operating Cost of the forestry programme for 2005/2006**

The Operating Cost Statement shows the net cost of the Agency’s operations on a full resource basis. The net cost was £14.9m (2004-05: £15.3m), a decrease of 2.7% from the previous year. The decrease was mainly due to a reversal of last year’s emerging trend of industrial injuries claims and increased timber receipts.

The trend of increasing capital charges continued, due to the revaluation of timber and the indexation of land and buildings, to £8.8m (2004-05: £8.3m), an increase of 6.0%.

The net resource cost of the forestry programme, that is programme expenditure less receipts, remained at £6.9m (2004-05: £6.9m).

## **Maintain Expenditure within resource limits and to approved budgets**

The Agency kept its expenditure within the final control totals set by the Department.

The Department met the Agency's in-year bid to address under-provision in its capital charges funding.

Within its Departmental Expenditure Limit resource allocation, Forest Service was required by the Department to contain its Departmental Running Costs (DRCs) to £6.9m. Through a combination of careful planning and close monitoring, DRC expenditure was limited to £6.7m.

## **Fixed Assets**

Details of the movement of fixed assets are set out in Notes 8 and 9 of the Accounts.

The Forest Service does not believe that there is a material difference between the market value and the book value of its fixed assets at 31 March 2005, except as follows. The value of growing timber is included in the Accounts on a replacement cost basis, which excludes the physical growth element. As the Forest Service becomes more efficient in its operations, the costs incurred in growing the timber decrease, and hence the value derived from these costs also decreases.

## **Payment to Suppliers**

The Forest Service is committed to the Confederation of British Industry's Better Payment Practice Code and British Standard BS 7890 - Achieving Good Payment Practice in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services or presentation of a valid or similar demand, whichever is later.

During the year, 96.51% of bills were paid within this standard (2004-05: 95.22%).

There were no interest payments claimed from or paid to suppliers under the Late Payments of Commercial Debts (Interest) Act 1988.

## **Political and Charitable Donations**

The Forest Service made no political or charitable donations during the year.

## **Future Development, Performance and Position**

The Minister has recently published the outcome of a review of forest policy



(March 2006) as 'A Strategy for Sustainability and Growth' ([www.forestserviceni.gov.uk](http://www.forestserviceni.gov.uk)). The review restates forest policy as:

- The sustainable management of existing woods and forests; and
- A steady expansion of tree cover to increase the many diverse benefits that forests provide.

The strategy is to be delivered through a programme of forest planting mainly by the private sector, by revising the legislative base for forestry, and by obtaining economic, environmental and social benefits from the public forest estate.

The outcome of the Review of Public Administration, announced on 21 March 2006, was that the Forest Service should remain a Next Steps Executive Agency, subject to the Review of Environmental Governance in NI, the final report of which is expected by the end of 2006. The Agency will remain the lead body for delivery of the forestry strategy and will deliver services on a unified regional basis, to compete in timber markets and contribute effectively to supply chain efficiency. The Agency will continue its search for further efficiency and improve its commercial focus, and it needs to ensure that in the exercise of its functions it can demonstrate that it is achieving a proper balance between competing objectives for the use of forests.

The strategy notes that the emphasis on an increased commercial approach, with the majority of decisions being reached on commercial criteria, suggests that the Service may need to undergo a further change in organisational structure and remit in order for it to be effective in the long term.

Whilst the Agency is not dependent upon any one customer, our future is reliant upon the continued successful trading of a small number of major customers in the wood processing industry.

## Forest Service Statistical Summary 2005/2006

	Units	2005/2006	2004/2005
Total area managed	Hectares	75,600	75,700
Forested area	Hectares	60,500	60,500
Acquisition Programme	Hectares	0	28
Disposal Programme	Hectares	0	3
Timber Production – roadside	Cubic metres	86,000	77,000
– standing	Cubic metres	301,000	329,000
New Planting	Hectares	14	13
Replanting	Hectares	840	903
Fire Damage	Hectares	3	75
Day visitors to charged recreation areas	Thousands	370	440
Caravan/camping long stay sites (nights)	Thousands	60	70
Staff numbers at 31 March – industrial	Full time equivalent persons	171	186
– non-industrial	Full time equivalent persons	117	124

Note: All figures are rounded for clarity

### Appendix 1

**Table 1**

### RECORD OF HARVESTING: April 2004 - March 2006

DISTRICT	STANDING VOLUME (m <sup>3</sup> )		ROADSIDE VOLUME (m <sup>3</sup> )		TOTAL	
	05-06	04-05	05-06	04-05	05-06	04-05
NORTH	54,000	64,000	43,000	29,000	97,000	93,000
EAST	40,000	52,000	14,000	22,000	54,000	74,000
WEST	207,000	213,000	29,000	25,000	236,000	238,000
<b>TOTAL</b>	<b>301,000</b>	<b>329,000</b>	<b>86,000</b>	<b>76,000</b>	<b>387,000</b>	<b>405,000</b>

Note : All figures represent volume dispatched from forests

Table 2

**BREAKDOWN OF SALES : Agreed for April 2005 - March 2006**

Volumes to 7cm TDOB to nearest m<sup>3</sup>, areas in hectares

DISTRICT	VOLUME by SPECIES			THINNINGS			CLEARFELL			MISC. FELLING	TOTAL VOLUME
	Spruce	Other Conifers	Hard-woods	Area	Volume	Vol. Per hectare	Area	Volume	Vol. Per hectare		
<b>STANDING SALES</b>											
NORTH	55,000	2,000	-	-	-	-	148	57,000	-	-	57,000
EAST	55,000	12,000	-	-	-	-	127	67,000	-	-	67,000
WEST	211,000	9,000	-	-	1,000	-	505	217,000	-	2,000	220,000
<b>TOTAL</b>	<b>321,000</b>	<b>23,000</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>780</b>	<b>341,000</b>	<b>-</b>	<b>2,000</b>	<b>344,000</b>
<b>ROADSIDE SALES</b>											
NORTH	28,000	2,000	1,000	122	3,000	-	50	24,000	-	2,000	29,000
EAST	7,000	9,000	-	45	3,000	-	35	14,000	-	1,000	18,000
WEST	28,000	-	-	-	-	-	49	26,000	-	2,000	28,000
<b>TOTAL</b>	<b>63,000</b>	<b>11,000</b>	<b>1,000</b>	<b>167</b>	<b>6,000</b>	<b>-</b>	<b>134</b>	<b>64,000</b>	<b>-</b>	<b>5,000</b>	<b>75,000</b>
<b>ALL SALES</b>											
<b>TOTAL</b>	<b>384,000</b>	<b>34,000</b>	<b>1,000</b>	<b>167</b>	<b>7,000</b>	<b>42</b>	<b>914</b>	<b>405,000</b>	<b>443</b>	<b>7,000</b>	<b>419,000</b>

## Appendix 2

### AVERAGE PRICES (£/m<sup>3</sup>) OF CONIFEROUS TIMBER 2005/06 Average Volume per Tree Over Bark (m<sup>3</sup>)

Less than 0.075	0.075 to 0.124	0.125 to 0.174	0.175 to 0.224	0.225 to 0.274	0.275 to 0.424	0.425 to 0.499	0.500 to 0.599	0.600 to 0.699	0.700 to 0.799	0.800 to 0.899	0.900 to 0.999	1.000 and over	Overall
-----------------	----------------	----------------	----------------	----------------	----------------	----------------	----------------	----------------	----------------	----------------	----------------	----------------	---------

#### Roadside Timber

-	17.82	19.49	18.78	-	20.43	21.76	25.58	22.75	26.03	23.61	-	37.49	22.36
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#### Standing Timber

-	-	5.95	5.15	8.38	11.20	15.58	14.12	15.21	16.29	16.51	19.67	20.92	11.96
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# Remuneration Report

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

The remuneration of all senior civil servants is entirely performance based. It was agreed at Ministerial level that the application of the recommendations in the Review Body report should be implemented for the NICS SCS pay award.

For Board members below the Senior Civil Service level, NICS pay policy is to provide a system of reward which properly reflects job content and effectively recognises and encourages performance. Remuneration is performance based and is in line with the pay system for non-industrial staff below the Senior Civil Service agreed between Management and Trade Union Sides of the Central Whitley Council and introduced with effect from 1 April 2002.

The Remuneration Committee is comprised as follows:

**Mr John B McGuckian**

**Ms Ann Shaw**

**Sir Joe Pilling (until December 2005)**

**Mr Jonathan Philips (from December 2005)**

**Mr Nigel Hamilton.**

## **Policy on the performance management of senior managers**

The *Performance Management System for the Senior Civil Service* provides a means to improve management of individual performance and a better link between organisational success, individual contribution and reward. It links objective setting to business objectives; provides a delivery-focused set of Senior Civil Service Leadership Competences; encourages the development of skills and knowledge; focuses on personal development through the mid-year development review; and rewards results through the performance review and pay awards.

## **Service Contracts**

Civil service appointments are made in accordance with the Civil Service Commissioners for Northern Ireland's 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 officials covered by this report hold appointments which are open-ended until they reach the normal retiring age of 60. Policy relating to notice periods and termination payments is contained in the Northern Ireland Civil Service (NICS) Staff Handbook.

- Mr Ian Forshaw was appointed to the Forest Service Management Board as a Non-Executive Director on 22 December 2005.

Further information about the work of the Civil Service Commissioners can be found at [www.nicscommissioners.org/](http://www.nicscommissioners.org/)

## **Duration of Notice Periods**

Recruits or promotees to the senior civil service on or after 1 January 1997 will be required to give three months' notice of resignation. DARD reserves the right to introduce a longer period of notice for individual posts of up to a maximum of six months and incumbents will be notified accordingly. This may be appropriate where the recruitment of a replacement is likely to be a protracted process.

At the time of resignation the Forest Service may, by agreement with the member of staff concerned, agree to waive the required notice. Existing members of the senior civil service prior to 1 January 1997 will have the reserved right to give one month's notice.

Where the Forest Service is of the opinion that the appointee is unfit to continue in post or is incapable of adequately performing the duties of the post, it can terminate the appointment with immediate effect by written notice.

## **Termination payments**

If for any reason other than disciplinary dismissal the minimum period of notice cannot be given, then the member of staff will receive compensation in lieu of the unexpired period of notice. Compensation is not payable when the date of leaving is mutually agreed, for example, in cases of flexible early retirement, approved early retirement, voluntary redundancy or where staff resign before the end of the notice period.

No significant awards have been made to past senior managers.

## **Salary and Pension Entitlements**

The following sections provide details of the remuneration and pension interests of senior officials of the Forest Service.

## Senior Management

### (a) Remuneration

	2005-06		2004-05	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind to nearest £100
<b>Mr M Beatty</b> Chief Executive	60 – 65	-	60 – 65	-
<b>Mr JJ O'Boyle</b> Director of Operations	45 – 50	-	45 – 50	-
<b>Mr C McCully</b> Director of Corporate Services (Note 1)	40 – 45	-	40 – 45	-
<b>Mr P Hunter Blair</b> Director of Policy and Standards (Note 2)	10 – 15	-	40 - 45	-
<b>Mr S Morwood</b> Director of Policy and Standards (Note 3)	15 - 20	-		-

#### Salary

'Salary' includes gross salary; performance pay or bonuses any allowance, such as London Weighting Allowances, to the extent that it is subject to UK taxation. This report is based on payments made by the Forest Service 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 a taxable emolument.

## Senior Management

### (b) Pensions

	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 as at 31 March 2006 and related lump sum	CETV at 31 March 2006 or at date of leaving	CETV at 31 March 2005 or at date of leaving	Real increase in CETV (Note 6)	Employer contribution to partnership pension account including risk benefit cover to
	£'000	£'000	£'000	£'000	£'000	nearest £100
<b>Mr M Beatty Chief Executive</b>	0-2.5 plus lump sum of 2.5-5	20-25 plus lump sum of 60-65	311	353	18	-
<b>Mr JJ O'Boyle Director of Operations</b>	0-2.5 plus lump sum of 0-2.5	10-15 plus lump sum of 40-45	180	197	9	-
<b>Mr C McCully Director of Corporate Services (Note 1)</b>	0-2.5 plus lump sum of 0-2.5	20-25 plus lump sum of 60-65	N/A	N/A	N/A	-
<b>Mr P Hunter Blair Director of Policy and Standards (Note 2)</b>	0-2.5 plus lump sum of 0-2.5	10-15 plus lump sum of 35-40	161	169	2	-
<b>Mr S Morwood Director of Policy and Standards (Note 3)</b>	0-2.5 plus lump sum of 0-2.5	10-15 plus lump sum of 30-35	146	149	2	-

Notes to the above tables of senior management remuneration and pension benefits: -

1. Mr McCully retired in early April 2006. As he was over 60 at 31 March 2006 no CETV can be calculated.
2. Mr Hunter Blair left the Northern Ireland Civil Service on 1 July 2005.
3. Mr Morwood joined on 14 November 2005.
4. Mr I Forshaw was appointed to the Forest Service Management Board as a Non-Executive Director on 22 December 2005. He is an employee of the Forestry Commission in Wales and as such is not remunerated by the Forest Service.

## **Cash Equivalent Transfer Values**

A 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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## **Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

## **Civil Service Pensions**

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium, and Classic Plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining 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 and Classic Plus. Benefits in Classic accrue at the rate of 1/80th of pensionable salary 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 variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in Classic.

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 selection of approved products. 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). There were no partnership pensions contributions paid in the period.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensions-ni.gov.uk](http://www.civilservicepensions-ni.gov.uk) and details of the pension costs are contained in 1.4 of the Notes to the Accounts.



**Malcolm Beatty**  
Chief Executive  
28 June 2006



# Statement of Agency's and Chief Executive's Responsibilities

Under Section 11 (2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed the Forest Service to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Agency is required to comply with the Government Financial Reporting Manual (FReM) and in particular to:

- observe the accounts direction issued by the Department of Finance and Personnel, 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 FReM, have been followed, and disclose and explain any material departure in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Accounting Officer for the Department of Agriculture and Rural Development has designated the Chief Executive of the Forest Service as the Accounting Officer for the Agency. The relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances and for the keeping of proper records are set out in the Accounting Officers' Memorandum, "Government Accounting Northern Ireland", issued by the Department of Finance and Personnel.



**Malcolm Beatty**  
Chief Executive  
28 June 2006

# Statement of Internal Control

## 1. Scope of responsibility

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

Under the terms of the Agency's Framework Document, as the Agency's Chief Executive, I am directly responsible to the Minister for the Agency's operations and performance. The Minister determines the policy framework within which the Forest Service operates and the scope of its activities. The Minister also determines the resources to be made available to the Agency, approves Corporate and Business Plans, sets key performance targets, and monitors performance. The Minister does not normally become involved in the day to day operation of the Agency or in managing risk but expects me to consult him on the handling of operational matters that give rise to significant public or parliamentary concern, including the nature, scale and likelihood of risks occurring in relation to contentious or controversial cases.

## 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 eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable assurance 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 the Agency's 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 the Forest Service for the year ended 31 March 2006 and up to the date of approval of the Department's annual report and accounts, and accords with DFP guidance.

## 3. Capacity to handle risk

The Management Board leads the risk management process. A risk register forms the basis of a risk management plan and is reviewed by the Board on a regular basis. Ownership of risk has been appropriately allocated to individual staff who are trained to manage risk in a way appropriate to their authority and duties. The Board is also represented on the Department's Risk Management Forum.

The Agency uses the service provided by DARD Internal Audit Branch, which operates to standards defined in the Government Internal Audit Manual. The terms of reference given to Internal Audit is focused on 'principal risks' identified along with a range of Corporate Governance issues. Their report includes an opinion on the adequacy and effectiveness of the Agency's system of internal control, together with recommendations for improvement.

The Forest Service Corporate Governance and Audit Committee (FSCGAC), chaired by a non-executive director, supports me in my responsibilities for issues of governance, business risk, internal control and associated assurance.

The executive Directors within the Agency have each provided me with signed Stewardship Reports in which they acknowledge their responsibility for ensuring that objectives for which they are responsible are clearly defined and that all members of staff within their Directorates are aware of the objectives relevant to their work. In addition they have each acknowledged their responsibility for developing and maintaining effective internal controls within their Directorates to provide reasonable assurance of achievement of these objectives. They have also provided me with specific details of actions taken in various areas of control. These supporting statements are available for audit inspection.

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

Experienced managers throughout the Service manage risks through a process of inspection and review, and plans are modified to take account of risks in the delivery of business objectives.

The main strategic risk faced by the Forest Service is the impact of a collapse of the Northern Ireland timber market or loss of major customers.

The Agency's risk environment involves managing risks that impact on the public. The Agency adopts a duty of care to forest users and has procedures for defining safety arrangements in relation to timber harvesting and timber transport; those recreation users who require special permission for their activities and school parties who learn about environmental issues are advised to carry out their own risk assessments.

#### **5. 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 the Agency 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 Management Board and the Forest Service Corporate Governance and Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

In summary, my review of the effectiveness of the Agency's system of internal control relies upon the directors' Stewardship Reports and the roles carried out by the FSCGAC, the Northern Ireland Audit Office and Internal Audit.



**Malcolm Beatty**  
Chief Executive  
28 June 2006

# The Certificate and Report of the Comptroller and Auditor General to the House of Commons and the Northern Ireland Assembly

I certify that I have audited the financial statements of the Forest Service for the year ended 31 March 2006 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

## **Respective responsibilities of the Agency, the Chief Executive and auditor**

The Agency and Chief Executive are responsible for preparing the Annual Report and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel 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 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 Department of Finance and Personnel's directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Agency 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 the relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 36 to 37 reflects the Agency's compliance with the Department of Finance and Personnel's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Agency'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. This other information comprises only the Chief Executive's Foreword, the Directors' Report, the unaudited part of the Remuneration Report, and the Management Commentary. I consider the implications for my report 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 opinion

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 Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency'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 Parliament 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.

## Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Agency's affairs as at 31 March 2006 and of the net operating cost, 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 Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



**JM Dowdall CB**  
Comptroller and Auditor General  
Northern Ireland Audit Office  
106 University Street  
Belfast BT7 1EU  
30th June 2006

**The maintenance and integrity of the Forest Service website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes which may have occurred to the financial statements since they were initially presented on the website.**

# Accounts

## Operating Cost Statement for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
<b>Administration Costs</b>			
Staff Costs	4.1	5,665	5,850
Other Administration Costs	6	2,282	2,483
<b>Net Administration Costs</b>		<b>7,947</b>	<b>8,333</b>
<b>Programme Costs</b>			
Expenditure	6	12,608	11,854
Cost of Sales	9	2,336	2,268
Less: EU Income	2	(1,323)	(960)
Other Income	2	(6,703)	(6,242)
<b>Net Programme Costs</b>		<b>6,918</b>	<b>6,920</b>
<b>Net Operating Cost</b>		<b>14,865</b>	<b>15,253</b>

All income and expenditure are derived from continuing operations.  
The entity is acting as an agent for the European Union in making payments to third parties in the UK.

## Statement of Recognised Gains and Losses for the year ended 31 March 2006

	Note	2006 £'000	2005 £'000
Net gain on revaluation of: tangible fixed assets	17	21,815	11,976
Net (loss)/gain on revaluation of: intangible fixed assets	17	24	(82)
<b>Total recognised gains and losses for the financial year</b>		<b>21,839</b>	<b>11,894</b>

The notes on pages 43 to 59 form part of these accounts.

**Balance Sheet  
as at 31 March 2006**

	Note	31 March 2006		31 March 2005	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible Assets	8.1	132,184		118,751	
Growing Timber	9	136,050		127,616	
Intangible Assets	8.2	434		435	
			<b>268,668</b>		<b>246,802</b>
<b>Current Assets</b>					
Stocks	10	398		467	
Debtors	12	1,076		1,045	
Cash at bank and in hand	13	49		96	
<b>Current Liabilities</b>					
Creditors - amounts falling due within one year	14	(852)		(906)	
<b>Net Current Assets</b>			<b>671</b>		<b>702</b>
<b>Total Assets less Current Liabilities</b>			<b>269,339</b>		<b>247,504</b>
Provisions for liabilities and charges	16	(16)	(16)	(32)	(32)
			<b>269,323</b>		<b>247,472</b>
<b>Taxpayers' equity:</b>					
EU Grant Fund	17		507		483
General Fund	17		67,561		67,379
Revaluation Reserve	17		201,255		179,610
			<b>269,323</b>		<b>247,472</b>

*Malcolm Beatty*

**Malcolm Beatty**  
Chief Executive  
28 June 2006

The notes on pages 43 to 59 form part of these accounts.

**Cash Flow Statement  
for the year ended 31 March 2006**

	<b>2006 £'000</b>	<b>2005 £'000</b>
<b>Net cash outflow from continuing operating activities (Note 18a)</b>	(4,127)	(3,971)
<b>Capital expenditure and financial investment (Note 18b)</b>	(934)	(1,155)
<b>Financing (Note 18c)</b>	5,014	5,172
<b>Increase / (decrease) in cash in the period</b>	<b>(47)</b>	<b>46</b>

# Notes to the Accounts for the year ended 31 March 2006

## 1.0 Accounting Policies

The financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM). The accounting policies adopted by the Agency are described below. They have been consistently applied in dealing with all the items relating to the accounts.

### 1.1 Accounting Convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of fixed assets, and stocks where material, at their value to the business by reference to their current costs.

Without limiting the information given, the financial statements comply with the accounting and disclosure requirements of the Companies (Northern Ireland) Order 1986, the accounting standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by the Department of Finance and Personnel, in so far as those requirements are appropriate.

### 1.2 Tangible Fixed Assets

Plant, Machinery and IT assets are capitalised at their cost of acquisition and installation and are restated to current value annually with reference to indices compiled by the Office for National Statistics (ONS), using the MM17 - Price Index Numbers for Current Cost Accounting.

Land and buildings are valued every 5 years by a professional valuer. The valuations of land and buildings used in these accounts were provided by the Valuation and Lands Agency as at 1 April 2004 in accordance with The Appraisal and Valuation Manual published by the Royal Institute of Chartered Surveyors. Property disposed of during the year was valued by the VLA before being placed on the market.

Depreciation is provided on a straight line basis in order to write the assets down to estimated residual value over their estimated useful lives. Asset lives are normally in the following ranges:

Computer equipment and software	3 to 7 years
Plant and Machinery	4 to 10 years
Buildings	50 years

Land at Baronscourt (£1.2m) is gradually being handed back to its owner. This process is to be completed by 2024. Depreciation is charged over the period.

For property occupied by, but not owned by the Agency a notional charge for accommodation costs is included in the Operating Cost Statement.

### 1.3 Intangible Fixed Assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £5,000 or more is incurred. In addition, similar licences falling below this threshold, which when grouped exceed the threshold, are also capitalised. The value of the capitalised licences is restated at current value at the balance sheet date in accordance with the movement in the Retail Price Index (RPI). Software licences are amortised over their expected useful life, which can be from 3 to 15 years, depending on the licence.

Land Rights are capitalised at current value. There is no in-year amortisation charge as the life span is land based and therefore assumed to be infinite.

### 1.4 Pension Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes which are described in Note 4. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The department 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 Principal Civil Service Pensions Schemes (PCSPS) of amounts calculated on an accrual basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

### 1.5 Early Departure Costs

100% of early retirement costs in respect of Agency employees are met by the Department of Agriculture and Rural Development and are included as a notional cost.

Government policy is to include the full cost of an agency's activities in its accounts even where, as in this case, some of these costs are borne elsewhere in Government. Normal accounting practice is to provide for the full cost of early departure of employees in the year in which the early departure decision is made.

## **1.6 Value Added Tax**

All items in these accounts are exclusive of VAT, which is recoverable on a Departmental basis. The net amount due to Customs and Excise is included within creditors in the Balance Sheet.

## **1.7 Stocks and Work In Progress**

General raw material stocks are shown at the lower of average costs and net realisable value.

## **1.8 Heritage Assets**

The Forest Service received 75% funding from the EC to construct a Peace Maze in Castlewellan Forest Park. This has been included in the Balance Sheet as a Heritage Asset.

The Forest Service replaced the walkway in Glenariff Forest Park to encourage access to and recreational use of the forest. This is included in the Balance Sheet as a Heritage Asset.

These assets are maintained in perpetuity, and consequently are not depreciated.

## **1.9 Growing Timber**

The value of trees grown for commercial purposes is included in fixed assets on a replacement cost basis. This reflects the value in use of the asset which is regarded as higher than net realisable value.

The timber is valued at the balance sheet date using the most recent costs. Any change in valuation is taken to the Revaluation Reserve.

## **1.10 Grants Payable**

The Agency received grant aid from the European Agricultural Guarantee and Guidance Fund (EAGGF) to partially fund schemes to promote the expansion of private sector tree planting.

## **1.11 Cost of Capital**

A charge, reflecting the cost of capital utilised by the Agency, is included in operating costs. The charge is calculated at a real rate set by DFP (currently

3.5%) on the average net book value of all assets less liabilities, except for tangible and intangible fixed assets where the cost is based on opening values, adjusted pro-rata for in-year:

- additions and subsequent capital expenditure on existing assets at cost
- disposals as valued in the opening balance sheet (plus any subsequent capital expenditure prior to disposal)
- impairments at the amount of the reduction of the opening balance sheet value (plus any subsequent capital expenditure) and
- depreciation of tangible and amortisation of intangible fixed assets

## 1.12 Taxation

No taxation is chargeable on the financial results of the Agency.

## 2 Income

	2006 £'000	2005 £'000
<b>Administrative income:</b>	-	-
<b>Programme income:</b>		
EU Income	1,323	960
<b>Other Income</b>		
Timber Sales	5,479	5,122
Christmas Trees	68	63
Commercial Recreation	381	395
Non Commercial Recreation	339	362
Other Activities	436	300
	<b>6,703</b>	<b>6,242</b>
	<b>8,026</b>	<b>7,202</b>

The entity is acting as an agent for the European Union in making payments to third parties in the UK.

### 3 Business Activities Attracting Fees and Charges

The purpose of this note is to provide fees and charges information.

Commercial Recreation encompasses camping and caravanning, as well as game shooting. Non-Commercial Recreation refers to visits to all of our forests. Entrance charges are only levied for the 9 Forest Parks.

Income was higher in 2004-05 than in previous years as there were two Easter holidays within the financial year.

The financial objective of Commercial Recreation is full cost recovery. However in the case of Non-Commercial Recreation, 100% recovery cannot realistically be achieved in the foreseeable future and the short term objective is to recover at the maximum level that the market will bear.

	<b>Income</b>	<b>2006</b>	<b>(Deficit)</b>	<b>Income</b>	<b>2005</b>	<b>(Deficit)</b>
	<b>£000</b>	<b>Cost</b>	<b>£000</b>	<b>£000</b>	<b>Cost</b>	<b>£000</b>
		<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
Commercial Recreation	381	367	14	395	352	43
Non-Commercial Recreation	339	1,245	(906)	362	1,190	(828)
<b>Total</b>	<b>720</b>	<b>1,612</b>	<b>(892)</b>	<b>757</b>	<b>1,542</b>	<b>(785)</b>

### 4 Staff numbers and Related Costs

#### 4.1 Staff Costs

	<b>Note</b>	<b>2006</b>			<b>2005</b>
		<i>Total</i>	<i>Permanently employed staff</i>	<i>Others</i>	<i>Total</i>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and Salaries		5,999	5,973	26	6,268
Social Security Costs		417	415	2	453
Other Pension Costs		929	929		717
		<b>7,345</b>	<b>7,317</b>	<b>28</b>	<b>7,438</b>
Less capitalised costs	9	(1,680)	(1,680)		(1,588)
		<b>5,665</b>	<b>5,637</b>	<b>28</b>	<b>5,850</b>

The PCSPS(NI) is an unfunded defined benefit scheme which produces its own resource accounts, but Forest Service is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2003 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2005-06, employers' contributions of £929,000 were payable to the PCSPS(NI) (2004/05 £717,000) at one of four rates in the range 16.5 to 23.5 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% to 18%). These rates have increased from 1 April 2005 as a result of the latest actuarial valuation. The contribution rates reflect benefits as they are accrued, not when costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of nil were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5 per cent (2004-05: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of nil, (0) per cent of pensionable pay, were payable to the PCSPS(NI) to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees. As no staff were in a partnership pension account no payments been made during 2005-06.

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

Five persons retired early on ill health grounds (2004-05 eight persons); the total accrued pension liabilities in the year amounted to £3,799 ( 2004-05 £9,579).

## 4.2 Average Number of Persons Employed

The average number of full time equivalent persons employed during the year was:-

Note	2006			2005
	Number <i>Total</i>	<i>Permanently employed staff</i>	<i>Others</i>	Number <i>Total</i>
Industrial	176	176		195
Non Industrial	119	116	3	122
<b>Total</b>	<b>295</b>	<b>292</b>	<b>3</b>	<b>317</b>

97 staff were employed in the capitalised work during the year

## 5 Early Departure Costs

The charge to the Operating Cost Statement represents the amount which will be funded by the Department of Agriculture and borne as a notional charge by the Agency.

	2006 £'000	2005 £'000
Costs met by the Department in respect of decisions made in 2005-06	-	-
<b>Operating Cost Statement</b>	<b>-</b>	<b>-</b>

## 6 Other Operating Costs

	Note	2006 £'000	2005 £'000
<b>Administration costs</b>			
General administration expenses		787	684
Travel and subsistence		253	309
<b>Non-cash items</b>			
(Profit)/Loss on disposal of fixed assets		-	-
Depreciation	8.1; 8.2	176	140
Impairment of fixed assets	8.1	6	2
Cost of capital	11	20	28
Notional costs	7	1,040	1,320
		<b>2,282</b>	<b>2,483</b>
<b>Programme expenditure</b>			
<u>Grant Payments</u>			
Paid to applicants EU element		1,323	960
National element		684	813
Materials		2,242	2,199
<b>Non-cash items</b>			
(Profit)/Loss on disposal of fixed assets		(57)	25
Depreciation	8.1	662	580
Impairment of fixed assets	8.1	145	132
Cost of capital	11	8,778	8,251
Total programme expenditure		<b>13,777</b>	<b>12,960</b>
Less capitalised costs	9	(1,169)	(1,106)
		<b>12,608</b>	<b>11,854</b>

## 7 Notional Costs

These costs relate to services received for which no actual payment is made. They are included in the accounts so as to reflect the full economic cost of provision.

	Note	2006 £'000	2005 £'000
<b>Services provided by parent department</b>			
Central Support		702	660
Compensation Claims		58	325
Accommodation			116
		<b>760</b>	<b>1,101</b>
<b>Other Notional Costs</b>			
<i>Provided by other Departments:</i>			
Recruitment		2	4
Business Development Service		21	23
Govt Purchasing Agency		-	8
Accommodation - Outstations		54	25
- HQ		138	85
Land Registry fees		-	-
Crown Solicitor fees/Dept Sol Office		47	49
NIAO audit fee		16	21
HRMS		1	3
PSMB		1	1
		<b>280</b>	<b>219</b>
<b>Total Notional Costs</b>		<b>1,040</b>	<b>1,320</b>

## 8 Fixed Assets

### 8.1 Fixed Assets

	Heritage Assets £'000	Land & Buildings £'000	Plant and Machinery £'000	Information Technology £'000	Assets under Construction £'000	Total £'000
<b>Cost or Valuation</b>						
At 1 April 2005	1,022	115,184	5,511	517	73	122,307
Opening balance adjustment						
Additions	24	36	607	55		722
Disposals		(112)	(824)			(936)
Reclassifications			73		(73)	
Revaluations		(11)				(11)
Impairments		(37)	(223)	(13)		(273)
Indexation	24	13,801	296	6		14,127
At 31 March 2006	<b>1,070</b>	<b>128,861</b>	<b>5,440</b>	<b>565</b>		<b>135,936</b>
<b>Depreciation</b>						
At 1 April 2005		139	3,267	150		3,556
Opening balance adjustment						
Charge for year		209	453	132		794
Disposals			(673)			(673)
Reclassifications						
Revaluations		(2)				(2)
Impairments		(17)	(99)	(7)		(123)
Indexation		40	158	2		200
At 31 March 2006		<b>369</b>	<b>3,106</b>	<b>277</b>		<b>3,752</b>
<b>Net Book Value</b>						
At 31 March 2006	<b>1,070</b>	<b>128,492</b>	<b>2,334</b>	<b>288</b>		<b>132,184</b>
At 31 March 2005	<b>1,022</b>	<b>115,045</b>	<b>2,244</b>	<b>367</b>	<b>73</b>	<b>118,751</b>
Asset Financing Owned	1,070	128,492	2,334	288		132,184
<b>Net Book Value at 31 March 2006</b>	<b>1,070</b>	<b>128,492</b>	<b>2,334</b>	<b>288</b>		<b>132,184</b>
				<b>2006 £'000</b>	<b>2005 £'000</b>	
<b>Depreciation Charge</b>		Administration Programme		132	127	
				662	580	
				<b>794</b>	<b>707</b>	

## 8.2 Intangible Fixed Assets

	Land Rights	Software	Total Licences	
		£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 April 2005		153	298	451
Additions			19	19
Disposals				
Reclassifications		(1)	1	
Revaluations				
Impairments				
Indexation		18	7	25
At 31 March 2006		<b>170</b>	<b>325</b>	<b>495</b>
<b>Amortisation</b>				
At 1 April 2005			16	16
Charge for year			44	44
Disposals				
Reclassifications				
Revaluations				
Impairments				
Indexation			1	1
At 31 March 2006			<b>61</b>	<b>61</b>
<b>Net Book Value</b>				
At 31 March 2006		<b>170</b>	<b>264</b>	<b>434</b>
At 1 April 2005		<b>153</b>	<b>282</b>	<b>435</b>

Land Rights held by the Forest Service relate to shooting, turbary rights and wayleaves. They are valued at 5-yearly intervals by the Valuation and Lands Agency (VLA), the latest being at 1 April 2004.

## 8.3 Donated assets

The Forest Service has a number of donated assets that are all valued at below £5,000. As this is below the threshold they have not been capitalised.

## 9 Growing Timber

	Note	2006 £'000	2005 £'000
Value at 31 March 2005		127,616	132,358
Additions			
Salaries and wages	4.1	1,680	1,588
Other costs	6	1,169	1,106
		<b>2,849</b>	<b>2,694</b>
Transferred to stock (Cost of Sales)		(2,336)	(2,268)
Revaluation adjustment		7,921	(5,168)
Value at 31 March 2006		<b>136,050</b>	<b>127,616</b>

## 10 Stocks and work in progress

Stocks	398	467
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## 11 Interest on Capital Employed

The Operating Cost Statement bears a non-cash charge for interest relating to the use of capital by the Forest Service. The basis of the charge is outlined at Note 1.11.

Administration Programme	20	28
	8,778	8,251
	<b>8,798</b>	<b>8,279</b>

## 12 Debtors

### (a) Analysis by type

<b>Amounts falling due within one year:</b>		
Trade debtors	877	914
Other debtors	29	-
Amounts due from Rural Payments Agency (RPA)	67	130
EU Grant Debtor	100	-
Prepayments and accrued income	3	1
	<b>1,076</b>	<b>1,045</b>
<b>Amounts falling due after more than one year:</b>	-	-
	<b>1,076</b>	<b>1,045</b>

### (b) Intra-Government Balances

Intra-government balances	67	130
Balances with bodies external to government	1,009	915
<b>Total Debtors</b>	<b>1,076</b>	<b>1,045</b>

### 13 Cash at bank and in hand

Note	2006 £'000	2005 £'000
Balance at 1 April 2005	96	50
Net change in account balances	(47)	46
<b>Balance at 31 March 2006</b>	<b>49</b>	<b>96</b>
The following balances as at 31 March are:		
Imprest accounts	39	39
Cash in hand	9	56
Cash floats	1	1
<b>Balance at 31 March 2006</b>	<b>49</b>	<b>96</b>

### 14 Creditors

#### (a) Analysis by type

##### Amounts falling due within one year:

VAT		1
Other taxation and social security	121	100
Trade creditors	294	258
Other creditors	122	71
EU Grant Creditors	67	130
Accruals and deferred income	228	341
Consolidated Funds extra receipts due to be paid to the consolidated fund	20	5
	<b>852</b>	<b>906</b>

#### (b) Intra-Government Balances

Intra-government balances	141	106
Balances with bodies external to government	711	800
<b>Total Creditors</b>	<b>852</b>	<b>906</b>

### 15 Grant commitments

Grants for the management of existing woodlands are payable annually in arrears, so long as specific objectives and criteria are met. Commitments to future payments in respect of approved plans are estimated to be £9m at 31st March 2006.

## 16 Provisions for liabilities and charges

	Early Departure Costs £'000	Legal Claims £'000	Total £'000
Balance at 1 April 2005	22	10	32
Provided in the year		-	-
Provisions not required written back		(10)	(10)
Provisions utilised in the year	(6)	-	(6)
<b>Balance at 31 March 2006</b>	<b>16</b>	<b>0</b>	<b>16</b>

### Early Departure Costs

The agency meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The agency provides for this in full when the early retirement programme becomes binding on the agency by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3.5 per cent in real terms.

### Legal Claims

As no legal claims have been made against the Department, there is no provision. Agency policy is that where legal advice indicates that it is more than 50% probable that known claims will be successful and the amount of the claim can be reliably estimated, the amount provided is on a percentage expected probability basis. Expenditure is likely to be incurred over a period of 5 years. The provision is based on the estimated cash flows discounted by the Treasury discount rate of 3.5 per cent in real terms. No reimbursement will be received in respect of any of these claims.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 21.

## 17 Reconciliation of Movements in Reserves and Government Funds

	2006 £'000	2005 £'000
<b>EU Grant Fund</b>		
Balance as at 1 April 2005	483	453
Revaluations in year	24	30
Transfer of realised elements to General Fund	-	-
Balance as at 31 March 2006	507	483
<b>General Fund</b>		
Balance as at 1 April 2005	67,379	68,494
Net vote funding in year	5,015	5,174
Net operating cost	(14,865)	(15,253)
Revaluations in year		
Transfer of realised elements to General Fund	194	(635)
Notional costs	1,040	1,320
Interest on capital	8,798	8,279
Balance as at 31 March 2006	67,561	67,379

Revaluation Reserve	Fixed Assets £'000	Growing Timber £'000	Intangibles £'000	2006	2005
				Total £'000	Total £'000
Balance as at 1 April 2005	54,894	124,658	58	179,610	170,302
Opening balance adjustment					(3,221)
Revaluations in year	13,894	7,921	24	21,839	11,894
Transfer of realised elements to General Fund	(194)	-	-	(194)	635
Balance as at 31 March 2006	68,594	132,579	82	201,255	179,610

## 18 Notes to the Cash Flow Statement

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

	Note	2006 £'000	2005 £'000
Net operating cost		(14,865)	(15,253)
<b>Adjustment for non cash transactions</b>			
Depreciation	8.1, 8.2	838	720
Cost of Capital	6	8,798	8,279
(Profit)/Loss on disposal of assets	6	(57)	25
Impairments	8.1, 8.2	151	134
Provisions provided in year	16	(10)	(5)
Notional Costs	7	1,040	1,320
		(4,105)	(4,780)
<b>Adjustments for movements in working capital</b>			
Decrease/(Increase) in stock	10	69	87
Decrease/(Increase) in debtors	12	(31)	645
Increase/(Decrease) in creditors	14	(54)	124
<b>Use of provisions</b>	<b>16</b>	<b>(6)</b>	<b>(47)</b>
<b>Net cash outflow from operating activities</b>		<b>(4,127)</b>	<b>(3,971)</b>

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

Purchase of tangible fixed assets	8.1	(722)	(596)
Purchase of intangible fixed assets	8.2	(19)	(233)
Net capitalised timber costs	9	(513)	(426)
Proceeds from disposal of fixed assets		320	100
<b>Net cash outflow from investing activities</b>		<b>(934)</b>	<b>(1,155)</b>
<b>c Analysis of financing</b>			
Gross cash inflow from financing		13,040	12,374
Receipts	2	(8,026)	(7,202)
<b>Net cash inflow from financing</b>		<b>5,014</b>	<b>5,172</b>

## 19 Capital Commitments

Contracted capital commitments at 31 March for which no financial provision has been made

	2006 £'000	2005 £'000
Contracted	-	109

## 20 Commitments under 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.

### Land and buildings

Expiry within 1 year	-	1
Expiry after 1 year but not more than 5 years	-	-
	-	1

## 21 Contingent liabilities disclosed under FRS 12

There are estimated contingent liabilities of £50,000 in respect of woodland grants made under the European Agricultural Guarantee and Guidance Fund (Guidance) regulation no. 1257/1999 Building Sustainable Prosperity (BSP) Measure 4.3. As the cost of delivering this measure far exceeds the benefit to the grant recipients, the Forest Service has reluctantly withdrawn from the programme. It is possible therefore that it may have to refund expenditure to the EC totalling £50,000. (31st March 2005: £50,000).

## 22 Related party transactions

The Forest Service Agency is an executive agency of the Department of Agriculture and Rural Development, (the Department). The Department is regarded as a related party.

During the year, the Forest Service has had material transactions with the Department, and with other entities for which the Department is regarded as the parent Department, including the Rivers Agency.

In addition, the Forest Service has had a small number of transactions with other Government Departments and other central government bodies, including the Government Purchasing Agency, The Buying Agency, Construction Service and Business Development Service.

During the year, none of the board members, members of the key management staff or other related parties has undertaken any material transactions with the Forest Service.

## 23 Losses and Special Payments

### Losses

There were forest fires throughout Northern Ireland in May and June 2005 which resulted in losses of £189,000. No single loss was over £10,000.

	<b>2006</b>	<b>Number</b>	<b>2005</b>	<b>Number</b>
	<b>£'000</b>	<b>of cases</b>	<b>£'000</b>	<b>of cases</b>
Forest Fires	4	13	158	9
Others	189	12	9	2
	<b>193</b>	<b>25</b>	<b>167</b>	<b>11</b>

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