



# Annual Report and Accounts 2008 - 2009





<b>Foreword</b>	
by the Chair, FC Wales National Committee	4
<b>Introduction</b>	
by Director, Wales	6
<b>Who we are and What we do</b>	8
<b>Management Commentary</b>	
• Managing our organisation	9
• Key Performance Indicators - performance against our targets 2008-09	11-14
• Internal Audit Certificate of Assurance	15
<b>Governance and Leadership</b>	
• FC Wales Corporate Governance Statement	16
• Minister	22
• Committees, Boards, Panels and Forum	22
<b>Appendices</b>	
• Appendix 1	26
• Appendix 2	28
• Appendix 3	29
<b>Forestry Commission Wales Accounts</b>	
• Management Commentary	30
• Remuneration Report	33
• Statement of Accounting Officer's responsibilities	38
• Statement on Internal Control	39
• Certificate and Report of Comptroller and Auditor General	45
• Financial Statements	47

# Chair of the National Committee's Statement

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A busy and productive year during which we have taken some important steps towards adapting our forests in Wales so that they better meet future needs and challenges. Climate Change, of course, looms large in our thinking and I was pleased to present our conference in June on that vital subject. An impressive range of speakers did not spare the audience the difficult choices ahead.

This was closely followed up by an informative visit to the iconic Coed y Brenin Forest Park Visitor Centre, north of Dolgellau by the GB Forestry Commissioners, where discussion centred around the theme of **Getting Best Value from Welsh Timber**, another current and topical issue.

The Plant! Project (a tree for every child in Wales) continued with over 35,000 certificates being issued during 2008 and new sites were launched by the Minister for Rural Affairs and First Minister in Mid Wales and South Wales respectively.

The year ended on a high point with the Welsh Assembly Government's Forestry Strategy being launched last March at Carreg Cennen Farm near Llandeilo by Elin Jones AM, our Minister for Rural Affairs. Thanks must go to the Woodland Strategy Advisory Panel, ably chaired by Roger Cooper, who led the panel and provided a sterling service in assimilating and processing all the consultation feedback – over 230 responses in total! FC Wales can now take this new vision forward on behalf of the Welsh Assembly Government, and start delivering the new agenda.

I would finally like to thank Huw Brodie, former Director for Rural Affairs & Heritage who stepped down from the National Committee for Wales in March. His support and strategic thinking were invaluable in taking FC Wales forward, and linking into the wider issues of the day.



# Director's Statement

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Our investment in strengthening our policy and programming capability has yielded a revised and much improved Welsh Assembly Government's Forestry Strategy, *Woodlands for Wales*, and a new Corporate Plan – *Our Purpose and Direction*. We have continued to deliver our core programmes of sustainable management on the Assembly Government woodland estate and through the increasingly popular Better Woodlands for Wales grant scheme. As the Assembly Government's forestry department we also supported many other priorities such as the provision of affordable housing and renewable energy.

Our theme at the Royal Welsh Show last year highlighted forests and Climate Change. The inaugural Ian Forshaw Memorial Medal was awarded for excellence in Welsh forestry to a highly respected and recently retired member of FC Wales.

The Wales Audit Office Value for Money Study reported that FC Wales is delivering against a wider agenda, meeting its financial targets and most of its performance targets. The Study also identified areas for improvement. We accepted all the recommendations, and have already made a good start in tackling them.

In a busy organisation, things sometimes do not go to plan. One matter that did not go so well was our handling of firewood permissions on the Assembly Government woodland estate. We learnt some important lessons on communications and the need for a more refined policy that meets the needs of local stakeholders and good woodland management.

This was my first full year as Director and I wish to thank everyone for all their hard work, commitment and support. I believe we are very well placed to respond to the challenges that lie before us.

Strategaeth Llywodraeth Cynulliad Cymru  
ar gyfer Coetiroedd a Choed  
The Welsh Assembly Government's  
Strategy for Woodlands and Trees

Coetiroedd i Gynnal  
Woodlands for the Future



coetiroedd o ansawdd uchel a chymunedau dirweddol  
lleol ac sydd â chymunedau dirweddol a chymunedau  
high quality woodland and woodland  
conditions and have diverse tree species

Trefor Owen  
Director

## Who we are and What we do

We are the Welsh Assembly Government's Department of Forestry reporting to the Minister for the Department of Rural Affairs; we are also part of the Forestry Commission GB.

Our values as an organisation are: **Teamwork**  
**Professionalism**  
**Respect**  
**Communication**  
**Learning**  
**Creativity**

These values set out how we aim to work ourselves and what others can expect when working with us.

As the largest land manager in Wales, we plan, plant and maintain the forests on the 126,000 hectare Assembly Government woodland estate – an area covering almost 6% of the land mass of Wales. We manage these public woodlands in line with the priorities of Woodlands for Wales and so provide a balance between the needs of people, the environment and the forest economy, with programmes addressing this wide range of issues.

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 – and 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.





## Managing our organisation

We aim for the highest standards in the management of our organisation. Our customers and staff have high expectations in terms of our service provision, our wise use of public money and our role as a quality employer who values and develops the people who carry out our work. Through this professional management, combined with our efficient use of resources we have developed the organisation over the last year so that all our resources will be focused on delivering the policy priorities of Woodlands for Wales. We report our performance each year via our Annual Report and Accounts.

A major element of corporate improvement has come from implementing the Wales Audit Office Value for Money Report - Operations of the Forestry Commission Wales (November 08). We are committed to a 3-year programme of work to implement the 13 Recommendations and win the improvements in efficiency and corporate governance that these will give rise to.

## Our staff

There are 365 of us at FC Wales - land agents, IT specialists, ecologists, landscape architects, people experienced in education, and, of course, our foresters.



As well as maintaining our Investors in People accreditation, we have developed a People Strategy and Staffing Plan that will ensure our staff have the right skills to meet the needs of the revised *Woodlands for Wales* strategy. Our current Learning and Development plan focuses on operational skills for managing our woodlands, including our foundation modern apprenticeship scheme which will give 7 young people the opportunity to develop these skills over a 2-year period. We have also begun a 2-year training programme for our middle managers, with programmes for front line and strategic managers coming on stream over the next year or so.

Further improving our communication skills is important so that we can listen to our customers, explain our work and work with a wide range of audiences. And raising awareness of equality and diversity issues will help us ensure that we are truly inclusive and that opportunities to work with us, and the services we provide are accessible to all people throughout Wales.

## Business sustainability – ‘Greenerways’

We have been committed to reducing our own carbon footprint – through reducing our mileage and energy use; we also want to develop our use of green energy and we will be developing a programme to replace storage heating, oil and gas with wood fuel in our buildings and facilities. As part of our ‘Greenerways’ project, we aim to reduce our energy consumption by 3% per year, and our total carbon emissions from staff mileage by 5% per year. We also aim to reduce our waste and recycle wherever possible.



# Key Performance Indicators

Performance against our 22 defined targets for 2008/09.

Objective	Key Performance Indicator		Target for 2008/09	April – March 2008/09
Sustainable woodland management	KPI 1	UKWAS Certification of Assembly woodland estate	Maintain certification	Achieved Certification maintained
	KPI 2	Number of cases of significant non-compliance with approved design plans on the Assembly woodland estate	Zero	Not achieved 1 case of significant non-compliance
	KPI 3	% Estate woodland maintained as identified for conversion to LISS in Design Plans (cumulative target)	≥34%	Achieved 36%
	KPI 4	Total area of woodland entered into Better Woodlands for Wales (cumulative target)	≥20,000 ha	Not achieved 9,292 ha
	KPI 5	% Scheduled Ancient Monuments on Assembly woodland estate with approved plans	100%	Achieved 100%
Communities	KPI 6	Quality of Forest Visit Experience Score (different sites visited year on year and are scored using an index (TRIM index))	Visit to Cwmcarn; TRIM index score 104	Achieved Score 107
	KPI 7	Number of Community Management Agreements in place in Estate	19 current agreements	Achieved 23

Objective	Key Performance Indicator		Target for 2008/09	April – March 2008/09
Communities	KPI 8	Number of educational settings (schools, nurseries, universities) using woodlands for learning through FC Wales visits and training, Forest School delivery and training and FEI	750 different settings	Achieved 826
Economy	KPI 9	Total volume of timber marketed from Assembly woodland estate, by type, and marketing of the Timber Sales plan	Total (770k m <sup>3</sup> +/- 10%), Clearfell (590k m <sup>3</sup> +/- 10%) Thinnings (180k m <sup>3</sup> +/- 10%) Offer 100% of sales plan	Achieved 90% target met despite depressed timber market
Environment	KPI 10	% SSSI management agreements on the Assembly woodland estate scrutinised and updated with relevant actions from CCW's special sites project action database; and % existing management actions planned for 08/09 in SSSIs on the Assembly woodland estate that are undertaken	50%  80%	Achieved 50%  80%

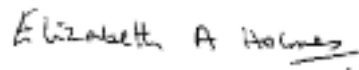
Objective	Key Performance Indicator		Target for 2008/09	April – March 2008/09
Environment	KPI 11	Area of Planted Ancient Woodland Sites (PAWS) with evidence of management to at least maintain the current condition/features of the site	Establish baseline showing current area under active PAWS management	Achieved Baseline established
Climate Change	KPI 12	National Forest Estate Wind Farm Programme Progress	Monthly reports	Achieved
Corporate	KPI 13	% Cases alleged illegal felling that is investigated by our Grants and Licences team and % satisfactory outcomes to cases of actual illegal felling	100% investigated / 80% satisfactory outcomes	Achieved 43 cases reported and 100% investigated; 9 cases resulted in 4 warning letters and 5 restocking notices issued – 100% satisfactory outcome
	KPI 14	% staff trained on current equality and diversity issues (cumulative target)	≥30%	Achieved 50%
	KPI 15	Dropped telephone calls (those where the caller rings off after >30 seconds of ringing)	≤4%	Achieved 1.25%

Objective	Key Performance Indicator		Target for 2008/09	April – March 2008/09
Corporate	KPI 16	% of FOI / EIR requests that are dealt with within statutory deadline of 20 working days	100%	Not achieved 15 requests but 1 FOI deadline missed
	KPI 17	Staff absence days per staff year	≤8.0	Achieved 6.3
	KPI 18	Number of staff learning to speak Welsh (levels below fluency)	10 – 12 (5%)	Achieved 10 learners
	KPI 19	Outturn compared to budget excluding cost of capital	Between 95% and 100%	Achieved 99.2%
	KPI 20	Welsh Assembly Government Funding	Outturn ≤2% below Assembly cash limit	Achieved As per revised funding limit
	KPI 21	Utilisation of Woodlands grants budget	Between 90% and 100% grants budget, dependent on demand (number of eligible applications)	Achieved £3840K spent related to demand
	KPI 22	Greenerways: contribution to FC GB targets: Reduction in energy use Reduction in total carbon emissions from staff mileage Waste and recycling	3% 5%  Baseline data	Not achieved  Carbon emissions not reduced

# 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 are a true and fair view of Forestry Commission Wales performance in these areas in 2008/09.



Liz Holmes  
Head of Internal Audit  
Forestry Commission

**28 May 2009**

# Governance and Leadership

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## FC Wales Corporate Governance Statement

The Forestry Commission is both a Government Department and a statutory body with a board of Commissioners whose mission is to protect and expand Britain's forests and woodlands, and increase their value to society and the environment.

Although FC Wales continues to be part of the Forestry Commission of Great Britain, forestry is now a devolved matter and FC Wales acts as the Department for Forestry within the Welsh Assembly Government, providing advice on forestry policy to the Minister for Rural Affairs, Elin Jones AM and implementing that policy using funding provided by her Department.

The powers of the Forestry Commission are derived mainly from the Forestry Act 1967 and the Plant Health Act 1967. These powers are vested in the Board of Forestry Commissioners. The Board consists of a Chairman and up to ten other Forestry Commissioners, including its Director General, who are appointed by the Queen on the recommendation of the Forestry Ministers.

The Board of Forestry Commissioners met four times this year. This included a two-day meeting in June to North Wales to visit the recently built Coed y Brenin Forest Park Visitor Centre covering a theme on "Getting Best Value from Welsh Timber".

Our Commissioners are our Chairman, the Rt. Hon Lord Clark of Windermere; Director General and Deputy Chairman, Tim Rollinson; three Executive Country Directors, Trefor Owen in Wales, Dr Bob McIntosh in Scotland and Paul Hill-Tout in England. In addition there are two Commissioners representing each country, in the case of Wales these are Jon Owen Jones and Judith Webb.

The Commissioners have a legal duty to seek a reasonable balance between the production and supply of timber and the interests of conservation. In promoting the multiple benefits of forestry, they also seek to take careful account of the needs and wishes of people throughout Britain.

As forestry is a devolved matter, the Commissioners report separately to Ministers in each country through the National Committee.



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## **National Committee for Wales**

The remit of the National Committee for Wales includes approving:

- Corporate Plans and Annual Reports;
- setting targets for, and managing the performance of FC Wales;
- grant-aiding and regulating woodland owners;
- identifying the necessary resources required to meet objectives and monitor financial performance;
- ensuring the safeguarding of resources through internal control systems;
- drawing to the attention of the Commissioners any issues of which they need to be aware for the proper discharge of their GB duties;
- receiving and considering advice from the Woodland Strategy Advisory Panel, on behalf of the Minister, concerning all aspects of the implementation of the Welsh Assembly Government's Woodland Strategy.

Jon Owen Jones chairs the Committee, which along with the Woodland Strategy Advisory Panel has this year been heavily engaged in the revision of the Assembly Government's strategy for trees and woodlands, Woodlands for Wales. This was launched by the Minister for Rural Affairs on the 27th March this year.

The revised strategy takes account of recent changes such as the formation of the One Wales Government and major policy developments such as the increased focus on the role of trees and woodlands in mitigating climate change. We are now revising our Corporate Plan to describe how we will implement these new objectives.

The Forestry Commission of Great Britain also has an Executive Board which assists the Director General and Country Directors by providing leadership and setting direction for the Commission as an organisation.

The Executive Board meets six times per year and has nine members chaired by the Director General. The other members are the three Country Directors, the Chief Executive of Forest Research, the Directors of

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Finance, the Business Units and Human Resources and the Secretary to the Board.

### **Division of Responsibilities**

There is a clear division of responsibilities between the Commissioners and the Executive Board, which is set out in writing and has been approved by the Board. The Director General is responsible for leadership of the Board, setting its agenda and monitoring its effectiveness. He facilitates both the contribution of the Non-Executive members and constructive relations between the Executive and Non-Executive members.

He creates a framework of values, organisation and objectives to ensure the successful delivery of key targets, and allocates decision making and responsibilities accordingly. He also takes a leading role, with the Chairman, in the relationship with all external agencies and in promoting the Forestry Commission.

Our devolved structure now allows us to focus more clearly on delivering the policies of the individual Governments while still having the ability to take a GB-wide approach to "cross-border" issues.

### **The FC Wales Management Board**

Day-to-day management of the FC Wales organisation is delegated to the Management Board, which is chaired by the Director FC Wales. It also includes the heads of estate management, policy and programmes, finance, grants and regulations, human resources and secretariat and communications.

The Board held eight formal meetings during the year and also one meeting to assess its composition and effectiveness through the use of the Myers-Briggs assessment process. The Director is responsible for ensuring that Board members are properly briefed on issues arising from other executive meetings, and that they have full and timely access to the information he receives as a member of such senior staff meetings as the FC Executive Board and Welsh Assembly Government's Department of Rural Affairs Senior Management Team.

During the year the Board has covered a wide range of issues. These included scrutiny of the revised Woodland for Wales Strategy, our new

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Corporate Plan, key policy position papers and the Wales Audit Office Value for Money Report into the operations of FC Wales. There are also regular Finance and Risk and current Human Resources updates covering issues such as consideration of the delivery of equality and diversity training, and the management development programme.

The Board's programme included presentations from other FC management staff, as well as external speakers. In addition visits to offices around Wales have served to increase the Board Members' understanding of the business as well as enabling staff at all levels of the organisation to meet and engage with the senior management team.

The secretary to the Board has responsibility for ensuring that Board procedures and governance best practice are followed, and for publicising the Board's decisions on the FC Wales Intranet site for the information of all staff.

### **Internal Control and Risk Management (see Statement on Internal Control)**

The Management Board has overall responsibility for the system of internal control, including risk management based on an ongoing process designed to identify and prioritise the risks faced by FC Wales. The Country Director, together with the National Committee, is responsible for the oversight of risk, control and governance and assurance, and is supported in this by the Audit and Risk Committee, chaired by Judith Webb.

During the year the Audit and Risk Committee met on three occasions to monitor the integrity of the organisation's financial statements and reviewed any significant financial judgements contained in them. The Committee has also reviewed the effectiveness of our financial control, internal control and risk management systems and has monitored progress to ensure that any required remedial action has been or is being taken on any identified weaknesses.

The system of internal controls is designed to manage, rather than eliminate the risk of failure to achieve our business objectives. The Committee provides reasonable but not absolute assurance against material mis-statement or loss. It includes all controls including financial, operational and compliance controls and risk management procedures.

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The National Committee reviews the Board's approval of budgets and forecasts, including both revenue and capital expenditure and reviews the risks to achieving objectives and the actions being taken to mitigate them. The Audit and Risk Committee scrutinises any identified fraudulent activity and any actions being taken by the Board to remedy any control weaknesses. It also reviews the scope and results of internal audit work across FC Wales and of the implementation of any recommendations on behalf of the National Committee.

The scope of the work covers all key activities of the organisation but concentrates on higher risk areas. It reviews the scope of the work of the external auditors, the Wales Audit Office, and any significant issues arising from their work including accounting policies, levels of delegated authority, major risks facing the organisation and the procedures in place to manage them. These include health and safety, legal compliance, quality assurance, public liability, financial, reputational, social, ethical and environmental risks.

This process has been in place throughout the year and up to the date of approval of the Annual Report and Accounts for 2008/09.

### **Information Risk (see Statement on Internal Control)**

An area of work that has increased during the year relates to the management of information within the organisation and in particular safeguarding it from loss.

Following several high profile incidents where sensitive information was lost by public officials, the UK and Welsh Assembly Governments reviewed the handling of data within the public sector and issued guidance to Accounting Officers.

The FC Director of Finance was appointed as the Senior Information Risk Owner to guide our compliance with these requirements. A range of publications have been issued to staff throughout FC to ensure that they are aware of their responsibilities when handling data and other information as well as implementing practical measures such as encrypting laptops.

FC Wales reported one case of a possible loss of data to the Senior Information Risk Owner during the year, but as result of an investigation the information was recovered before it entered the public domain.

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## Value for Money

One of the most important areas of work involving all of the above management structures this year was in receiving and responding to the Wales Audit Office Value for Money Report into the Operations of FC Wales and its subsequent scrutiny by the Audit Committee of the National Assembly for Wales.

The report was a detailed investigation into how well we manage the organisation in order to deliver the objectives of the Assembly Government's Woodland Strategy and our own Corporate Plan.

The report highlighted the many strengths of the organisation; most notably the skill and dedication of our staff and our ability to deliver across a wide range of activities that benefit the people of Wales. However, it also identified a number of areas of weakness that it considered were preventing us from being even more effective, most notably the need to be able to secure better funding arrangements to support long term decision making and also to clarify our objectives to both our external stakeholders and our own staff.

The Director of the Welsh Assembly Government's Department of Rural Affairs and the Director FC Wales appeared before the National Assembly for Wales Audit Committee in November 2008 to inform the Committee on these findings and to explain how FC Wales proposed to address these issues. FC Wales has developed an action plan to manage its response to the study and are well on the way to resolving many of these matters as a result of detailed discussions with officials in the Welsh Assembly Government, and through the clarity of purpose brought by the launch of the new *Woodlands for Wales* forestry strategy.

This study has been very helpful in assisting FC Wales to identify several major structural issues that were preventing better delivery of its objectives. FC Wales can now look forward with confidence to improving its ability to deliver the new agenda.

## Minister

The Minister who had responsibility for Forestry Commission Wales during the year was:

### **Elin Jones AM**

Minister for Rural Affairs



## Committees, Boards, Panels and Forum

### **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 six times during the year and a full record of papers and minutes can be found on the website.

Members during the year were:

<b>Jon Owen Jones</b>	Chair and Commissioner for Wales
<b>Judith Webb</b>	Commissioner for Wales
<b>Huw Brodie</b>	Director Rural Affairs and Heritage (Stood down from Committee on 13th March 2009)
<b>Roger Cooper</b>	Chair, Woodland Strategy Advisory Panel
<b>Geraint George</b>	Director of Postgraduate Diploma/Masters in Countryside Management, Bangor University
<b>Trefor Owen</b>	Director Forestry Commission Wales Commissioner for Wales
<b>Peter Garson</b>	Acting Head of Estate Management until July 2008 Head of Estate Management from August 2008
<b>Clive Thomas</b>	Head of Policy and Programming Development (Committee member from 1st January 2009)

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## 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 Intranet.

Members during the year were:

<b>Trefor Owen</b>	Director
<b>Peter Garson</b>	Acting Head of Estate Management until July 2008 Head of Estate Management from August 2008
<b>Derek Stephen</b>	Head of Finance & Information and Communication Technology
<b>Clive Thomas</b>	Head of Policy and Programming Development
<b>Clare Lewis</b>	Human Resources Business Partner
<b>Terry O'Keefe</b>	Head of Secretariat and Communications
<b>Richard Siddons</b>	Acting Head of Grants and Licences until December 2008 Head of Grants and Regulations from January 2009

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

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## Woodland Strategy Advisory Panel

This panel whose purpose is '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 2009:

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

The Panel met five times during the year in May, June, November, December and March. The work of the Panel was dominated during the year in providing advice on the ongoing review of Woodlands for Wales.



## **Management Forum** as at 31st March 2009

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 and exchange information affecting the organisation. The forum met 5 times during the year.

Trefor Owen	Director Wales
Peter Garson	Head of Estate Management
Clive Thomas	Head of Policy and Programming
Sue Ginley	Policy and Programming
Mike Pitcher	Policy and Programming
Paul Finch	Policy and Programming
Michelle Bromley	Policy and Programming
Chris Edwards	Policy and Programming
Richard Siddons	Head of Grants and Regulations
Rachel Chamberlain	Grants and Regulations Operations
Sue Williams	Education
Hugh Evans	Forest Research
Chris Jones	Forest Research
Clare Lewis	Human Resources Business Partner
Liz Cookson	Human Resources
Derek Stephen	Head of Finance & ICT
Paul Subacchi	Finance & ICT
Terry O'Keefe	Head of Secretariat and Communications
Debbie Westlake	Secretariat and Communications
Sam Argent	Secretariat and Communications
James Laing	Secretariat and Communications
Sally Tansey	National Forest Estate Wind Farm Programme
Steve Cresswell	Forest District Manager, Coed y Gororau
Ruth Jenkins	Forest District Manager, Coed y Mynydd
Neil Stoddart	Forest District Manager, Llanymddyfri
Dai Jones	Forest District Manager, Coed y Cymoedd
Hugh Jones	Wales Harvesting and Marketing
Bill MacDonald	Wales Harvesting and Marketing
Antony Wallis	Country Land Agent
David Cross	Wales Silvicultural Operations
John Browne	Forest Planning
Bruce Cochrane	Mechanical Engineering Services
Gordon Adam	Safety, Health and Environment

## 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

	Measure / Target	2006/07	2007/08	2008/09
Better Woodland for Wales Applications	Number received	412	453	414
Felling Licence Applications	Number received	318	305	220
	Acknowledged within 3 days	315 (99%)	99%	196 (89%)
	Processed in under 10 weeks	311 (98%)	79%	67%
Better Woodland for Wales Grant Claims	Number received	-	288	592
	Paid in under 28 days	-	273	572 (96%)
WGS Grant Claims	Number received	1174	653	429
	Paid in under 28 days	808 (69%)	78%	300 (70%)

Table 2 – Area of new planting and associated grants paid

Year	Conifer	Broadleaved	Total
2008/09	BWW No specific conifer data available	No specific broadleaved data available	101ha (£153K)
	WGS Nil	8ha (£7K)	8ha (£7K)
2007/08	BWW No specific conifer data available	No specific broadleaved data available	61ha (£78K)
	WGS 2ha (£8K)	202ha (£450K)	204ha (£458K)
2006/07	37ha (£31K)	382ha (£855K)	419ha (£886K)
2005/06	7ha (£31K)	441ha (£1,081K)	448ha (£1,112K)
2004/05	13ha (£66K)	521ha (£1,406K)	534ha (£1,472K)
2003/04	26ha (£69K)	443ha (£1,084K)	469ha (£1,153K)
2002/03	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 (not applicable to BWW)

Year	Native woodland expansion	New woodlands for quality timber
2008/09	5ha	Nil
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

Year	Conifer	Broadleaved	Total
2008/09	BWW No specific conifer data available	No specific broadleaved data available	603ha (£548K)
	WGS 3ha (£0.9K)	28ha (£14K)	31ha (£14.9K)
2007/08	BWW No specific conifer data available	No specific broadleaved data 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)

Variation in cost per hectare is a result of differences in scheme sizes

Table 5 - Analysis of action in relation to alleged illegal felling during 2008/09

Description	Cases
Reported	43
Investigated by FC Wales	43*
<b>9 cases taken forward*</b>	
Warning Letter sent	4
Restock Notices issued	5

\*34 cases required no further action after investigation

## Appendix 2 - Assembly Government Woodland Estate Statistics

Table 6 - Key statistics for the Assembly Government Woodland Estate

		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>Total area managed</b>	Thousand hectares	-	125	126	125	124	124	124
<b>Wooded land</b>	Thousand hectares	-	109	109	108	107	107	107
<b>Disposals</b>	Hectares	57	11	8	239	524	78	6
	No. of Woods	3	1	1	13	6	1	0
<b>Harvesting</b>								
Volume of clearfell	Thousand cubic metres	939	874	655	549	559	493	525
Area of clearfell	Hectares	-	-	-	-	-	-	1352
Volume of thinning	Thousand cubic metres	190	181	289	253	193	187	191
Area of thinning	Hectares	3814	3628	5773	5052	3859	3736	3816
Standing sales	Thousand cubic metres	475	502	468	500	416	384	406
Direct production	Thousand cubic metres	655	554	476	302	336	297	310
<b>TOTAL</b>	Thousand cubic metres	1130	1056	944	802	752	681	716
<b>Planting</b>								
Area of new planting	Hectares	-	0	0	0	0	0	0
Area of restocking after felling	Hectares	-	1395	1340	1620	1672	1458	1292

## Appendix 3 - Key staff and customer statistics

Table 7 - Key staff statistics as at 31st March 2009

Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>FC Wales staff*</b>	408	401	379	373	363	365
<b>Staff absence rate**</b>	8.3	8.6	7.9	4.9	7.0	6.3
<b>Welsh speaking staff***</b>	119	113	106	110	108	109

\* Average Staff numbers based on Full Time Equivalents

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

\*\*\* Fluent speakers

Table 8 – Accident rate for employees and members of the public

Year	Number of accidents per 100 employees	Accidents reported by members of the public
2008/09	1.64	110
2007/08	1.48	115
2006/07	0.30	97
2005/06	0.86	52
2004/05	0.27	27
2003/04	1.31	22

## 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 £35.3 million to manage its forest estate which delivers a wide range of public benefits and to grant aid the private sector forestry in Wales.

Forestry Commission Wales timber sales generated £12.0 million income from a harvest of 713,000 cubic metres of which some £1.3m was from the sale of Bio-fuels. Other sources of income from forest based activities added a further £3.3 million. Whilst the economic climate did impact on demand in the latter part of the year Timber prices were fairly static whilst associated operational costs were impacted upon by the general increase in fuel costs.

Other expenditure included additional investment in our Roads infrastructure of £0.4m with Capital investment of £1.1m on the ongoing refurbishment of the Garwnant Visitor Centre. Woodland Grant payments accounted for a further £4.6m of expenditure.

### Significant variances against Estimate

£million	Estimate	Outturn	Difference
<b>Total resource</b>	35.3	32.5	2.9
<b>Net cash requirement</b>	24.9	23.9	1.0

The difference between estimate and net total resource outturn of £2.9 million is principally due to:

- The Cost of Capital being £1.0m below estimate despite a further increase in the value of the Forest Estate and a recent change in accounting policy relating to the treatment of Windfarm Option agreements.
- Savings on Salaries of £0.5m as a result of lower than planned staffing levels.
- Windfall income from Estate based activities of £0.6m derived from both mineral receipts and the granting of access rights.
- The timing of £0.6m in final claims arising from EU funded Projects.
- A contribution of £0.3m from the Heads of the Valleys initiative towards the refurbishment of the Garwnant Visitor Centre which is scheduled to open later this year.

The £1.0 million difference between estimate and the outturn net cash requirement represents Reserves and Deferred income as detailed in note 14 to the accounts.

## **Future Events**

### **Forestry Commission Wales Corporate Plan**

This is our first Corporate Plan since the revision of the Assembly's Woodlands for Wales 50 year strategy for woodland and trees in Wales which was launched in March 2009. We have organised our work into 10 corporate programmes and associated key targets, which reflect the work areas of our staff, and to show how our work 'on the ground' contributes to Woodlands for Wales.

### **Wales Audit Office Value for Money Report**

We are committed to an estimated 3-year programme of work to implement the 13 Recommendations arising from the report and win the improvements in efficiency and corporate governance that these will give rise to.

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

All five option agreements to develop wind farms in designated areas contained within the Strategic Search Areas identified in Technical Advice Note 8 have now been signed and the process of applying for planning consent and conducting Environmental Impact Assessments will commence around July 2009.

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

Construction is now nearing completion and we look forward to moving to the new office in October 2009. Regular meetings with staff have taken place and the planning for the migration of core business systems which are crucial to the successful transition are in hand.

### **Equality & Diversity Strategy**

Launched in October 2008 the aim of this strategy is to articulate the Commission's approach to equality and diversity, and to demonstrate our commitment to delivering practical outcomes over the next five years. We recognise that in order to deliver the many varied benefits that forestry can provide for everyone our staff need to be representative of the communities we serve today. We therefore aim to recruit and employ people with a wide range of appropriate skills, knowledge and behaviours from a diversity of backgrounds.

### **Greenerways**

We continue to be committed to reducing our own carbon footprint – through reducing our mileage and energy use; we also want to develop our use of green energy and we will be developing a programme to replace storage heating, oil and gas with wood fuel in our buildings and facilities.

As part of our 'Greenerways' project, we aim to reduce our energy consumption by 3% per year, and our total carbon emissions from staff mileage by 5% per year. We also aim to reduce our waste and recycle wherever possible.

## 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. From 1 December 2008, unless otherwise stated in the contract, we aim to pay within 30 working days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later.

Analysis for 2008-09 indicates that 98.9% of invoices were paid within the due date [99.1% FY07/08].

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  
**06 July 2009**



# 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	18/01/2007	9.5
Judith Webb	18/01/2007	9.5
Professor Roger Cooper	01/01/2007	9
Geraint George	01/10/2006	6

### **Salary and Pension Entitlements\***

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

	<b>2008-09</b>		<b>2007-08</b>	
	Salary £000	Benefits in kind to nearest £100	Salary £000	Benefits in kind to nearest £100
Trefor Owen	65-70	-	60-65	-
Derek Stephen	45-50	-	45-50	-
Claire Lewis	40-45	-	35-45	-
Peter Garson	50-55	-	50-55	-
Clive Thomas	55-60	1,200	50-55	13,400
Terry O'Keefe	55-60	-	25-30 <sup>1</sup>	-
Richard Siddons	45-50	-	20-25 <sup>2</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.

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

<sup>2</sup> Figure quoted is for the period 25 September 2007 to 31 March 2008. The full year equivalent is 40-45.

## Pension Benefits\*

	Accrued pension at pension age at 31 March 2009 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2009 £000	CETV at 31 March 2008* £000	Real increase in CETV £000	Employer contribution to partnership pension account £000
Trefor Owen	25-30 plus LS of 0-5	2.5-5 plus LS of 0-2.5	315	256	34	-
Derek Stephen	15-20 plus LS of 50-55	0-2.5 plus LS of 2.5-5	312	272	15	-
Claire Lewis	5-10 plus LS of 20-25	0-2.5 plus LS of 0-2.5	116	99	8	-
Peter Garson	10-15 plus LS of 35-40	0-2.5 plus LS of 2.5-5	182	151	16	-
Clive Thomas	10-15 plus LS of 30-35	0-2.5 plus LS of 5-7.5	153	111	32	-
Terry O'Keefe	15-20 plus LS of 50-55	0-2.5 plus LS of 0-2.5	333	297	12	-
Richard Siddons	10-15 plus LS of 30-40	0-2.5 plus LS of 0-2.5	224	201	5	-

\* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

## 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 could opt for either 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 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. 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 2.3% 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 Civil Service pension arrangements can be found at the website <http://beta.civilservice.gov.uk/pensions>

### **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 figures 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 Cabinet Office's Civil Superannuation 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 taken.

### 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 2009:

	£000
Professor Roger Cooper	7
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  
**06 July 2009**

## Statement of Accounting Officer'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's 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 Managing Public Money.

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 National Committee for Wales, the normal exercise of their powers and duties in connection with the estate.

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 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.

Forestry Commission Wales is fully net funded by the Welsh Assembly Government's Department of Rural Affairs and Heritage and therefore a formal accounting officer relationship exists between Director, Department of Rural Affairs, who is the formally designated Additional Accounting Officer appointed by the Permanent Secretary, and the Director Forestry Commission Wales.

As part of their responsibilities, the Director General and Director Forestry Commission Wales as Accounting Officers are liable to be invited to appear before the Committee of Public Accounts (PAC) or the National Assembly for Wales Audit Committee. It will be for Ministers to decide who should represent them at other 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'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 Forestry Commission Wales for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

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

The Forestry Commission's risk management policy statement sets out why risk management is important; the procedures in place to enable Forestry Commission Wales to manage risk; and the roles and responsibilities individuals have to ensure risks are managed effectively. The policy was updated in March 2009 and is available to all staff via the intranet.

Risk is embedded in policymaking, planning and delivery across Forestry Commission Wales. Each discrete area of the business is responsible for ensuring the proper management of risks within their own area.

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

The system of internal control incorporates risk management. It encompasses a number of elements that together facilitate an effective and efficient operation, including regular reporting to the Board of Commissioners, National Committee, Executive Board and Management Board

The National Committee for Wales has established an Audit and Risk Committee (ARC) as a sub-committee to support 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 those key activities within the direct control of Forestry Commission Wales which support the achievement of Forestry Commission Wales's objectives.

The ARC operates in accordance with the principles contained in the Treasury's Audit Committee Handbook. The ARC advises the National Committee and the Accounting Officer on:

- the strategic processes for risk, control and governance;
- the Statement on Internal Control;
- the accounting policies, the accounts and the annual report, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter(s) of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including internal audit reports and external audit's management letter;
- assurances relating to the corporate governance requirements; and
- anti-fraud policies and whistle-blowing processes.



The Committee met three times in July and November 2008 and March 2009. In all cases they considered a range of reports from management, and from internal and external audit. The ARC will review its own effectiveness during 2009 and report the results of that review to the National Committee.

A Forestry Commission wide Risk Management Group (RMG) co-ordinates the continued development of risk management within, and the sharing of best practice across, the Forestry Commission. The RMG met in March 2009 to approve a revised risk policy document, to update members on risk management developments in each part of the Forestry Commission and to review progress on business continuity planning.

Key risks were reviewed during the year and, in response to the Wales Audit Office Value for Money (VFM) study "Operations of the Forestry Commission Wales", Forestry Commission Wales has begun an exercise to better align its risk register to the new Corporate Plan. Shared services and the Great Britain core area have reviewed their risk registers and plan to consolidate them in 2009-10.

In the year to 31 March 2009, Forestry Commission Wales has initiated a review of Business Continuity Plans (BCPs) at all relevant Cost Centres. The updated plans will be tested during 2009-10. A BCP for the National office has been deferred to 2009-10 as a result of the office relocation to a new building in Aberystwyth. BCPs covering the shared services of Human Resources, Information Services and Finance are still under development. A private sector risk management consultant has helped to develop framework BCPs but more work is required to link them to the BCPs prepared by countries and agencies and to ensure they meet the needs of customers. The additional work is progressing alongside our project to gain certification to the ISO/IEC 27001 standard for Information Security Management Systems.

## **5. Information Assurance and Data Handling**

The Forestry Commission has appointed its Director Finance as the Senior Information Risk Owner (SIRO). The SIRO chairs the Information Security Management Forum (ISMF) which co-ordinates and controls the implementation of information security across the Forestry Commission. It has met on nine occasions during the year. The work of the ISMF is supported on a day to day basis by the Departmental Security Officer (DSO) and the IT Security Officer (ITSO). Forestry Commission Wales has appointed the Head of Secretariat and Communications as its own SIRO who has established links with the Head of Information Security for the Welsh Assembly Government and the Forestry Commission's DSO.

In determining our approach, the Forestry Commission has taken the view that, in comparison with other government departments, our information systems hold a relatively small number of records and that the volume of sensitive information requiring a protective marking is relatively low.

The ARC has received updates on information assurance and data handling during the year in accordance with guidance provided by the Cabinet Office and the Welsh Assembly Government. In addition, the SIRO has produced an annual assessment of risk management across the Forestry Commission. During the year, we have progressed the following requirements:

- distributed the guidance publication, *Managing Information Risk*, to the Accounting Officer, Chair of the Audit Committee and Board members to assist them in understanding information risk;

- published an Information Charter setting out the standards that people can expect from us when we request or hold their personal information;
- encrypted all existing laptops that connect to the network;
- produced new guidance on marking protective documents;
- established an information asset register and undertaken detailed risk assessments;
- appointed Information Asset Owners (IAOs) for corporate systems.

Despite the progress made in 2008-09, this is still work in progress and there remains a good deal more to be done. In particular, completion of the ISO/IEC 27001 project will demonstrate that Forestry Commission Wales has established robust information security policies and related guidance, and educated staff and third parties in information security.

We have also agreed to take part in a Wales Audit Office (WAO) survey to assess how public bodies like ourselves handle the security of the information we hold. This will help the WAO to promote improvement in information and data security and will also give us some feedback on how we deal with this important issue.

Following development of the National School for Government (NSG) online training package, we are now in a position to make progress on our own training programme. We are currently assessing how to deliver the training requirements set out in the Data Handling Review and the Security Policy Framework using the NSG package as a core tool.

To aid continuous improvement, the Government has introduced the Information Assurance Maturity Model (IAMM). We are undertaking a self-assessment against the Model to include in our annual Forestry Commission report to the Cabinet Office. The output from the assessment, in combination with the risk treatments identified from the ISO/IEC 27001 project, will provide a focus for attention in the forthcoming year.

We have a reporting system to capture all security incidents which are investigated in accordance with Cabinet Office and Information Commissioners guidance. There have been no reportable incidents of personal information data loss during the year.

## **6. Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, 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 various Boards and the Audit Committee. Plans to address weaknesses and ensure continuous improvement of the system are in place. Areas requiring particular attention during 2009-10 are as follows:

- Forestry Commission Wales welcomed the Wales Audit Office VFM study during 2008-09 and the subsequent findings of the Welsh Assembly Government's Audit Committee which endorsed and refined the thirteen major recommendations. Forestry Commission Wales produced an action plan with key milestones for implementing the recommendations and 2009-10 will continue to see progress made in this area of work.
- The main risk for Forestry Commission Wales is the impact of the global economic downturn on our ability to generate earned income, notably from timber sales. As recognised in the VFM study, timber prices can be volatile and fluctuate throughout the year in response to factors such as supply and demand and exchange rates. Any shortfall in earned income that cannot be compensated by other income would restrict our ability to deliver the 'Woodlands for Wales' Strategy. Throughout the year management monitor out turn against budget and take the necessary actions to adjust costs and/or secure alternative funding if there are significant shortfalls in earned income.
- Forestry Commission Wales is moving from its Aberystwyth National Office to the new Welsh Assembly building on the outskirts of the town. Management have co-ordinated project plans in place and review progress regularly, in order to ensure business continuity. All National Office staff should be in the new WAG Office by December 2009.
- A grant awarded by Forestry Commission Wales through one of its EU Objective 1 projects came under criticism during the financial year. A formal review of the governance surrounding the project was undertaken and a detailed report submitted to the Accounting Officer who subsequently shared the key findings with the ARC. The lessons learned from this project are now being used to embed improved governance and project management in any new project or scheme initiated by Forestry Commission Wales.
- Forestry Commission Wales is reliant on Shared Services for many of its Human Resources, Information Services and Finance requirements. The governance and funding of these services, and their links to country based back office functions, is under review to ensure that they can meet the needs of their customers through an annual review process.
- The Forestry Commission has found it difficult to meet the timetable for the introduction of International Financial Reporting Standards (IFRS). Despite engaging external accountancy expertise during the year, there were a significant number of matters outstanding at both the Treasury's trigger points for 2008-09. Meeting the trigger points for 2009-10, including the completion of all outstanding matters, is going to be challenging. The work will be planned and monitored closely during 2009-10 to ensure full compliance by the due dates.
- Forestry Commission Wales is aware from the findings of both Internal Audit and Wales Audit Office of the risks associated with the current processes for the set-up and maintenance of supplier codes and the need for delegated authorities. Forestry Commission Wales is leading on the solution of both these issues.

The Head of Internal Audit has prepared an annual report and assurance statement to me as Director Forestry Commission Wales and Accounting Officer. The reports include an overall assessment of the adequacy and effectiveness of risk management, control and governance within Forestry Commission Wales. The Director General has received a similar report and assurance statement including any comments specific to the Forestry Commission's 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 objectives are adequately managed.

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

There were no significant problems to report

Trefor Owen

Accounting Officer

**06 July 2009**

## Certificate and Report of Comptroller and Auditor General

I certify that I have audited the financial statements of Forestry Commission Wales for the year ended 31 March 2009 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 Cashflow 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 HM Treasury 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 that 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' 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' 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 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 judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Forestry Commission Wales' 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 Forestry Commission Wales' affairs as at 31 March 2009 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and cashflows 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  
**08 July 2009**

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

## Summary of Resource Outturn

### Summary of resource outturn 2008-09

								2008-09	2007-08
		Estimate			Outturn			Net total outturn compared with Estimate: saving/ (excess) £000	Outturn Net Total £000
Note	Gross Expenditure £000	A-in-A £000	Total £000	Gross Expenditure £000	A-in-A £000	Total £000			
Request for resources	2	35,321	-	35,321	32,393	-	32,393	2,928	27,968
Total resources	3	35,321	-	35,321	32,393	-	32,393	2,928	27,968
Non-operating costs A in A		-	-	-	-	-	-	-	-

### Net cash requirement 2008-09

					2008-09	2007-08
		Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/ (excess) £000	Outturn £000
Net cash requirement	4		24,863	23,858		

### Summary of income payable to the consolidated fund

		Forecast 2008-09		Outturn 2008-09	
Note	Income £000	Receipts £000	Income £000	Receipts £000	
Total	-	-	-	-	-

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

The notes on pages 51 to 78 form part of these accounts.

## Operating cost statement

for the year ended 31 March 2009

			2008-09 £000	2007-08 £000
	Note	Staff Costs	Other Costs	Income
<b>Administration Costs:</b>				
Staff Costs	5	11,838		11,391
Other Administration costs	6		7,862	8,053
Operating Income	7			(433)
<b>Programme Costs:</b>				
Programme costs	8.1		29,956	33,336
EU income	8.2			(609)
Other income	8.2			(16,221)
<b>Totals</b>		11,838	37,818	(17,263)
<b>Net operating Cost</b>				<b>32,393</b>
				<b>27,968</b>

There have been no acquisitions during the year.

## Statement of recognised gains and losses

for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Net gain on revaluation of tangible fixed assets	18(a)	21,368	95,376
Acquisition of government grant financed assets	18(b)	(111)	318
<b>Recognised gains and losses for the financial year</b>		<b>21,257</b>	<b>95,694</b>

The notes on pages 51 to 78 form part of these accounts.



## Balance sheet

as at 31 March 2009

	Note	2008-09 £000	2007-08 £000
Fixed assets:			
Tangible assets	10(a)	277,484	256,157
Intangible assets	10(b)	2,043	-
Investment	11	371	371
Debtors falling due after more than one year	13	667	703
Current assets:			
Stocks	12	1,544	1,281
Debtors	13	5,668	6,170
Cash at bank and in hand	14	1,005	830
		8,217	8,281
Creditors (amounts falling due within one year)	15	(3,363)	(4,525)
<b>Net current assets</b>		<b>4,854</b>	<b>3,756</b>
<b>Total assets less current liabilities</b>		<b>285,419</b>	<b>260,987</b>
Creditors (amounts falling due after more than one year)	15	(2,185)	(259)
Provisions for liabilities and charges	16	(321)	(397)
		<b>282,913</b>	<b>260,331</b>
Taxpayers' equity:			
General fund	17	116,317	114,817
Revaluation reserve	18(a)	163,935	142,649
Government grant reserve	18(b)	2,661	2,865
		<b>282,913</b>	<b>260,331</b>

Trefor Owen  
Accounting Officer  
**06 July 2009**

The notes on pages 51 to 78 form part of these accounts.

## Cash flow statement

for the year ended 31 March 2009

	Note	2008-09 £000	2007-08 £000
Net cash outflow from operating activities	19(a)	(20,126)	(21,837)
Capital expenditure and financial investment	19(b)	(4,059)	(424)
Net financing	19(d)	24,361	21,522
<b>Increase/(decrease) in cash in the period</b>	19(e)	<b>176</b>	<b>(739)</b>

## Statement of net operating costs by departmental strategic objectives

for the year ended 31 March 2009

	2008-09 £000		
	Gross	Income	Net
<b>Objectives</b>			
Social	18,775	(6,527)	12,248
Economic	7,131	(2,479)	4,652
Environmental	19,331	(6,720)	12,611
Climate Change	4,419	(1,536)	2,883
<b>Net operating costs</b>	<b>49,656</b>	<b>(17,263)</b>	<b>32,393</b>

See note 20 for explanation of apportionment across objectives.  
The notes on pages 51 to 78 form part of these accounts.

## Notes to the resource accounts

### **Note 1 Statement of accounting policies**

These financial statements have been prepared in accordance with the 2008-09 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.

Until 31 March 2008, tangible fixed assets were revalued annually as at 31 March. With the agreement of HM Treasury future revaluations shall be carried out on 1 April. Valuations shall use prospective indices that look ahead to the next balance sheet date and shall also be adjusted to reflect the differences between the actual changes in prices in the prior year and the earlier prediction.

#### **Land and Built Assets**

Professionally qualified staff employed by the Forestry Commission undertake a full revaluation of land and built assets 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 RICS guidance. Internal valuations are subject to review by external professional valuers. Indices provided by the District Valuer are used to restate values between full valuations. A full valuation took place on 1 April 2008. The normal threshold for capitalisation of buildings is £10,000.

#### **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.

### 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 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.

### **1.9 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.

### **1.10 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. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

### **1.11 Income**

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

### **1.12 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.

### **1.13 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 23.

### **1.14 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.

### **1.15 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.

### **1.16 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.

### **1.17 Financial Assets**

#### **Classification**

Forestry Commission Wales classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are

classified as current assets. Forestry Commission Wales does not trade in derivatives and does not apply hedge accounting.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the Balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets comprise investments.

### Recognition and measurement

Financial assets are recognised when Forestry Commission Wales becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and Forestry Commission Wales has transferred substantially all risks and rewards of ownership.

(a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the operating cost statement.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

(b) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that Forestry Commission Wales will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the operating cost statement. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the operating cost statement.



### (c) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the operating cost statement. Dividends on available-for-sale equity instruments are recognised in the operating cost statement when the Forestry Commission Wales' right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Forestry Commission Wales establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Forestry Commission Wales assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the operating cost statement. Impairment losses recognised in the operating cost statement on equity instruments are not reversed through the income statement.

### **1.18 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held by the Office of the Paymaster General and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance sheet.

### **1.19 Financial Liabilities**

#### **Classification**

Forestry Commission Wales classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

#### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. Forestry Commission Wales does not trade in derivatives and does not apply hedge accounting.

(b) Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. Forestry Commission Wales' other financial liabilities comprise trade and other payables in the Balance sheet.

### Recognition and measurement

Financial liabilities are recognised when the Forestry Commission Wales becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the operating cost statement.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### Note 2 Analysis of net resource outturn by section

							2008-09	2007-08	
						Outturn	Estimate	Net Total	
						Net	Net	Outturn	
						A in A	Total	compared	Prior-
						Total		with	year
						£000	£000	Estimate	outturn
						£000	£000	£000	£000
Admin	Other	Grants	Gross	Net					
£000	current	£000	resource	A in A	Total	£000	£000	£000	
	£000		Expenditure	£000	£000				
Request for resources:									
Forestry Commission Wales	-	32,393	-	-	- 32,393	35,321	2,928	27,968	
<b>Resource Outturn</b>	<b>-</b>	<b>32,393</b>	<b>-</b>	<b>-</b>	<b>- 32,393</b>	<b>35,321</b>	<b>2,928</b>	<b>27,968</b>	

Explanations of the variances between estimate and net total resource outturn are given in the Management Commentary.

### Note 3 Reconciliation of Outturn to net operating cost

		Outturn £000	Supply Estimate £000	2008-09 Outturn Compared With Estimate £000	2007-08 Outturn £000
	Note				
Net Resource Outturn	2	32,393	35,321	2,928	27,968
Prior Period Adjustments		-	-	-	-
Non-supply income (CFERs)		-	-	-	-
Non-supply Expenditure		-	-	-	-
<b>Net operating cost</b>		<b>32,393</b>	<b>35,321</b>	<b>2,928</b>	<b>27,968</b>

### Note 4 Reconciliation of resources to cash requirement

		2008-09 Estimate £000	2008-09 Outturn £000	2008-09 Net total Outturn Compared With Estimate: saving/(excess) £000
	Note			
Resources Outturn		35,321	32,393	2,928
Capital:				
• Acquisition of tangible fixed assets	10(a)	-	1,988	(1,988)
• Acquisition of intangible fixed assets	10(b)	-	2,176	(2,176)
• Investments		-	-	-
Non-operating cost A in A:				
• Proceeds of fixed asset disposals		-	104	(104)
Government grants applied to the acquisition of fixed assets:	18(b)	-	(328)	328
Accruals adjustments:				
• Non-cash items	6/8	(10,458)	(11,045)	587
• Changes in working capital other than cash	19(a) -		467	(467)
• Changes in creditors falling due after more than one year	15	-	(1,926)	1,926
• Use of provision	16	-	183	(183)
• Timing between accrual and cash VAT	17	-	(109)	109
• Non-cash inter-country transfers	17	-	(45)	45
<b>Net cash requirement</b>		<b>24,863</b>	<b>23,858</b>	<b>1,005</b>

## Note 5 Staff numbers and related costs

Staff costs comprise:

			2008-09	2007-08
	Total £000	Permanently employed staff £000	Others £000	Total £000
Wages and salaries	9,426	9,426	-	9,037
Social security costs	675	675	-	652
Other pension costs	1,702	1,702	-	1,634
Agency staff	35	-	35	68
<b>Total net costs</b>	<b>11,838</b>	<b>11,803</b>	<b>35</b>	<b>11,391</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 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (<http://beta.civilservice.gov.uk/pensions>).

For 2008-09, employers' contributions of £1,702,000 were payable to the PCSPS (2007-08 £1,628,000) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2007-08 were between 17.1% and 25.5%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands were revised from 2007-08. The rates remained the same. The contribution rates are set to meet the cost of the benefits accruing during 2007-08 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 £3,100 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 £200, 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.

No individuals retired early on ill health grounds.

## 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	2008-09		
	Total Number	Permanently employed staff Number	Others Number
Social	138	133	5
Economic	53	51	2
Environmental	142	137	5
Climate Change	32	31	1
<b>Total net costs</b>	<b>365</b>	<b>352</b>	<b>13</b>

Forestry Commission Wales adopted new objectives from 1 April 2008-09. As there is no direct read across between previous year's objectives, the 2007-08 comparative figures have been omitted. See note 20 for further explanation.

## Note 6 Other administrative costs

	2008-09 £000	2007-08 £000
Operating leases	-	488
Central shared services	3,584	3,093
Other expenditure	3,348	3,743
Auditors' remuneration and expenses – audit work	62	49
Auditors' remuneration and expenses – non-audit work	-	-
<b>Sub-total</b>	<b>6,994</b>	<b>7,373</b>
<b>Non-cash costs</b>		
Depreciation	225	292
Impairment	2	19
Gain/loss on disposal of tangible fixed assets	533	106
Adjustment to depreciation following impairment	1	(1)
Provisions		
Provided in year	247	264
Provisions not required written back	(135)	1
Unwinding of discount	(5)	(1)
<b>Sub-total</b>	<b>868</b>	<b>680</b>
<b>Total</b>	<b>7,862</b>	<b>8,053</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. Seven areas of work are identified as shared services:

- Finance and accounting services
- Information services
- Human resources, including Learning and Development
- Communications
- Operational support services
- Internal audit
- Business sustainability

For each of the major 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

#### **Note 7 Operating income**

	<b>2008-09</b>	<b>2007-08</b>
	<b>Total £000</b>	<b>Total £000</b>
Operating income	433	516
	<b>433</b>	<b>516</b>

## Note 8 Programme costs

### 8.1 Programme expenditure

	<b>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b>
Management of Welsh Assembly Woodlands	8,112	13,835
Grants:		
Support for forestry and the rural economy, including grants paid to private woodland owners	4,005	3,154
Grants paid to private woodland owners from EU receipts	609	230
	<u>4,614</u>	<u>3,384</u>
Objective 1 expenditure	1,104	7,910
Other programme costs, including research and publications	6,637	794
Cost of capital	9,489	7,413
<b>Programme expenditure</b>	<b><u>29,956</u></b>	<b><u>33,336</u></b>
Included within programme expenditure are the following costs:		
	<b>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b>
<b>Cash costs</b>		
Hire of plant and machines	1,188	1,065
Operating Leases	545	-
	<u>1,733</u>	<u>1,065</u>
<b>Non cash costs</b>		
Cost of capital	9,489	7,413
Depreciation	931	526
(Gain)/Loss on disposal of assets	-	-
	<u>10,420</u>	<u>7,939</u>

From 1 April 2008, Forestry Commission Wales adopted the Accounting by Objectives Programme. This involves a new approach to the allocation of staff costs and administration overheads between programme expenditure lines. As Forestry Commission Wales has followed new objectives from FY 2008-09, it is not possible to restate 2007-08 figures to provide a direct read-across.

## 8.2 Programme income

	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Timber income from Welsh Assembly Woodlands	12,089	10,208
Other income from Welsh Assembly Woodlands	3,355	3,956
Planting grant co-financing from EU	609	230
Objective 1 EU and NAW funding	743	8,789
Gain on disposal of properties including external costs	-	105
Publications income	10	82
Other income	24	917
<b>Programme income</b>	<b>16,830</b>	<b>24,287</b>
Included within programme income are the following amounts:		
<b>Non cash amount</b>		
Release from government grant reserve	93	157
Gain on disposal of tangible fixed assets excluding external costs	-	116
<b>Total</b>	<b>93</b>	<b>273</b>

Included within Other Income from Welsh Assembly Woodlands is £0.6m of costs retained net of the £3.6m of income generated by the TAN 8 Windfarm project which is managed by Forestry Commission Wales on behalf of the Welsh Assembly. The £3.0 m of income was paid over to the Welsh Assembly during the year.

## Note 9 Analysis of net operating cost by spending body

	<b>Estimate</b>	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>Outturn</b>	<b>Outturn</b>
		<b>£000</b>	<b>£000</b>
Forestry Commission Wales	35,321	32,393	27,968
<b>Net Operating Cost</b>	<b>35,321</b>	<b>32,393</b>	<b>27,968</b>



## Note 10(a) Tangible fixed assets

	Forest Estate £000	Land £000	Built Assets £000	Plant and Machinery £000	Information Technology £000	POA and AUC £000	Total £000
<b>Valuation:</b>							
At 1 April 2008	239,050	7,779	9,231	3,663	336	366	260,425
Additions	-	40	157	513	29	1,249	1,988
Transfers	-	(2,743)	3,145	51	-	(402)	51
Disposals	(6)	(2)	(1,288)	(714)	(106)	-	(2,116)
Revaluation	18,016	4,760	(1,826)	88	-	-	21,038
Impairment	-	-	-	-	(2)	-	(2)
<b>At 31 March 2009</b>	<b>257,060</b>	<b>9,834</b>	<b>9,419</b>	<b>3,601</b>	<b>257</b>	<b>1,213</b>	<b>281,384</b>
<b>Depreciation:</b>							
At 1 April 2008	-	-	1,926	2,213	129	-	4,268
Provided during year	-	-	734	375	47	-	1,156
Transfers	-	-	-	-	-	-	-
Disposals	-	-	(785)	(672)	(66)	-	(1,523)
Write-off	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Impairment	-	-	-	-	(1)	-	(1)
<b>At 31 March 2009</b>	<b>-</b>	<b>-</b>	<b>1,875</b>	<b>1,916</b>	<b>109</b>	<b>-</b>	<b>3,900</b>
<b>At 31 March 2009</b>	<b>257,060</b>	<b>9,834</b>	<b>7,544</b>	<b>1,685</b>	<b>148</b>	<b>1,213</b>	<b>277,484</b>
At 1 April 2008	239,050	7,779	7,305	1,450	207	366	256,157

The Forest Estate was revalued at £257,066,000 as at 1 April 2008 by Bidwells, Chartered Surveyors. The valuation was 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 2013 with annual updates based on prospective indices provided by Bidwells, Chartered Surveyors.

Non-forest land was valued at £12,539,000 and Built Assets were valued at £5,479,000 as at 1 April 2008 by professionally qualified land agents employed by the Forestry Commission. The next five-yearly valuation will be at 1 April 2013, 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 2009 management had taken the decision that 10 properties within the Forest Estate and Other Land were surplus to operational requirements. For marketing and other reasons these properties may not be disposed of immediately. They are included in the financial statements at a net book value of £496,000. These values have been determined using an Open Market Valuation basis by internal, professionally qualified staff. Prior to revaluation the net book values were £449,000.

Plant and machinery was valued at £1,605,000 as at 1 April 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 1 April 2010 with annual updates in the intervening years based on indices provided by the Office for National Statistics.

IT was restated to a current value of £148,000 as at 31 March 2009 using an index provided by the Office for National Statistics. The estimation technique used was to apply the index to the entire asset class, rather than on an asset-by-asset basis.

Additions to assets under construction included £291,000 funded by UK government grants and £19,000 funded by EU grants.

#### Note 10(b) Intangible fixed assets

	<b>2008-09</b>
	<b>£000</b>
At 1 April 2008	-
Additions	2,176
Transfers	-
Disposals	-
Write-off	-
Revaluation	-
Impairment	-
<b>At 31 March 2009</b>	<b>2,176</b>
<b>Amortisation</b>	
At 1 April 2008	-
Provided during year	133
Transfers	-
Disposals	-
Write-off	-
Revaluation	-
Impairment	-
<b>At 31 March 2009</b>	<b>133</b>
NBV at 31 March 09	2,043
NBV at 1 April 08	-

#### Note 11 Fixed asset investments

The fixed asset investment represents Forestry Commission Wales' share in the limited liability partnership between the Forestry Commissioners and the Camping and Caravanning Club to operate holiday facilities within the Forestry Commission's land holdings.

The investment is valued annually at 28 February on an Open Market Basis by Barrs & Co., specialist leisure consultants and valuers.

#### Note 12 Stocks and work in progress

	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
Timber	1,297	1,145
Plants & seed	-	-
Consumable materials, supplies and livestock	247	136
<b>Total</b>	<b>1,544</b>	<b>1,281</b>

## Note 13 Debtors

### 13(a) Analysis by type

	2008-09 £000	2007-08 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	4,068	2,251
House purchase loans to employees	3	6
Lease debtor	26	-
EU funding accrued income	-	77
Prepayments and accrued income	1,571	3,836
<b>Total</b>	<b>5,668</b>	<b>6,170</b>
<b>Amounts falling due after more than one year:</b>		
Partnership loan	285	285
Partnership lease	366	392
House purchase loans to employees	16	26
<b>Total</b>	<b>667</b>	<b>703</b>

Forestry Commission Wales had house purchase loans totalling £19,000 outstanding at 31 March 2009 relating to 3 employees.

## Note 13 Debtors

### 13(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008-09 £000	2007-08 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	34	1,494	-	-
Balances with local authorities	63	12	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	1	-	-
Intra-government balances	97	1,506	-	-
Balances with bodies external to government	5,571	4,664	667	703
<b>Total debtors at 31 March</b>	<b>5,668</b>	<b>6,170</b>	<b>667</b>	<b>703</b>

## Note 14 Cash at bank and in hand

	<b>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b>
Balance at 1 April	830	1,569
Net change in cash balances:	175	(739)
<b>Balance at 31 March</b>	<b>1,005</b>	<b>830</b>
The following balances at <b>31 March</b> are held at:		
Balance with Office of Paymaster General	1,005	830
Cash at commercial banks and cash in hand	-	-
<b>Balance at 31 March</b>	<b>1,005</b>	<b>830</b>
The balance at <b>31 March</b> comprises:		
Amounts issued from the Welsh Assembly for supply but not spent at year end	752	-
WEFO deferred income	101	101
Other deferred income	152	729
<b>Balance at 31 March</b>	<b>1,005</b>	<b>830</b>

## Note 15 Creditors

### 15(a) Analysis by type

	<b>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b>
<b>Amounts falling due within one year:</b>		
Trade creditors	1,751	2,029
Other creditors	51	35
Accruals and deferred income	755	1,596
Current part of finance leases	54	35
Amounts issued from the Welsh Assembly but not spent at 31 March	752	830
	<b>3,363</b>	<b>4,525</b>
Amounts falling due after more one year:		
Finance leases	275	259
Radio Mast leases	1,910	-
	<b>2,185</b>	<b>259</b>

## 15(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008-09 £000	2007-08 £000	2008-09 £000	2007-08 £000
Balances with other central government bodies	85	-	-	-
Balances with local authorities	22	1	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	1	-	-	-
Intra-government balances	108	1	-	-
Balances with bodies external to government	3,255	4,524	2,185	259
<b>Total creditors at 31 March</b>	<b>3,363</b>	<b>4,525</b>	<b>2,185</b>	<b>259</b>

## Note 16 Provisions for liabilities and charges

	Early departure cost £000	Public legal claims £000	Other legal claims £000	Total £000
Balance at 1 April 2008	158	31	208	397
Provided in the year	4	125	118	247
Provisions not required written back	-	(13)	(122)	(135)
Utilised in the year	(79)	(17)	(87)	(183)
Unwinding of discount	(5)	-	-	(5)
<b>Balance at 31 March 2009</b>	<b>78</b>	<b>126</b>	<b>117</b>	<b>321</b>

### 16(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.

### 16(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.

### Note 17 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>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b>
Balance at 1 April	114,817	114,515
Net operating cost for the year	(32,393)	(27,968)
Funding from the Welsh Assembly:		
Drawn down	24,033	21,348
Deemed supply	78	184
Amounts issued from the Welsh Assembly for supply but not spent	-	(830)
Notional cost of capital	9,489	7,413
Transfer of fixed assets from/to other forestry bodies	52	-
Transfer from Revaluation Reserve	87	150
Timing between accrual and cash VAT	109	(4)
Non-cash inter-country transfers	45	9
<b>Balance at 31 March</b>	<b>116,317</b>	<b>114,817</b>

### Note 18 Reserves

#### 18(a) Revaluation Reserve

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

	<b>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b>
Balance at 1 April	142,649	47,423
Arising on revaluation during the year		
Forest Estate	18,016	93,578
Land	4,760	1,494
Forest Holidays buildings	-	97
Built Assets	(1,496)	217
VME	89	(10)
	<b>21,369</b>	<b>95,376</b>
Transferred to general fund in respect of realised element of revaluation reserve	(87)	(150)
Write-offs	4	-
<b>Balance at 31 March</b>	<b>163,935</b>	<b>142,649</b>

## Note 18(b) Government grant reserve

	UK £000	2008-09 EU £000	Total £000	2007-08 £000
Balance at 1 April	469	2,396	2,865	2,704
Additions during the year	309	19	328	174
Revaluations	(16)	(395)	(411)	144
Disposals	(9)	(19)	(28)	-
Release to OCS	(19)	(74)	(93)	(157)
<b>Balance at 31 March</b>	<b>734</b>	<b>1,927</b>	<b>2,661</b>	<b>2,865</b>

## Note 19 Notes to the cash flow

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

		2008-09 £000	2007-08 £000
<b>Net operating cost</b>	Note	<b>(32,393)</b>	<b>(27,968)</b>
Adjustments for non-cash transactions	4	11,045	8,346
Timing between accrual and cash VAT		109	(4)
Non-cash inter-country transfers		45	9
(Increase)/decrease in stock		(263)	(678)
(Increase)/decrease in debtors		538	(476)
less movements in debtors relating to items not passing through OCS		-	(275)
Increase/(decrease) in creditors		765	(68)
less movements in creditors relating to items not passing through OCS		210	(646)
Use of provisions	16	(183)	(77)
<b>Net cash outflow from operating activities</b>		<b>(20,127)</b>	<b>(21,837)</b>

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

		2008-09 £000	2007-08 £000
Tangible fixed asset additions	Note 10(a)	(1,988)	(725)
Intangible fixed asset additions	10(b)	(2,176)	-
Proceeds of disposal of fixed assets		104	301
Lease repayments		-	-
Loans to other bodies		-	-
Repayment of loans to other bodies		-	-
<b>Net cash outflow from investing activities</b>		<b>(4,060)</b>	<b>(424)</b>

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

	Capital expenditure £000	A in A £000	Net Total £000
Request for resources	1,988	-	1,988
Net movement in debtors/creditors	-	-	-
<b>Total 2008-09</b>	<b>1,988</b>	<b>-</b>	<b>1,988</b>
<b>Total 2007-08</b>	<b>725</b>	<b>-</b>	<b>725</b>

### 19(d) Analysis of financing

		2008-09 £000	2007-08 £000
From the Welsh Assembly	Note 17	24,111	21,532
Deemed supply		(78)	(184)
Government grant applied to the acquisition of fixed assets	18(b)	328	174
Capital element of payments in respect of finance leases		-	-
<b>Net financing</b>		<b>24,361</b>	<b>21,522</b>

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

		2008-09 £000	2007-08 £000
Net cash requirement	Note	<b>(23,858)</b>	<b>(22,087)</b>
From Welsh Assembly	19(d)	24,111	21,532
Deemed supply	19(d)	(78)	(184)
WEFO deferred income		-	-
<b>Increase/(decrease) in cash</b>		<b>175</b>	<b>(739)</b>



## Note 20 The 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. Forestry Commission Wales implemented a change in allocating costs directly to Objectives during FY08/09 and this data has been used to support the costs attributable to each of the objectives for the core department. As there is no direct read across between the previous year's objectives the comparative data FY08/09 has been omitted.

## Note 21 Capital commitments

There were no Capital Commitments at 31 March 2009.

## Note 22 Commitments under leases

### 22.1 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.

	<b>2008-09</b> <b>£000</b>	<b>2007-08</b> <b>£000</b>
Obligations under operating leases comprise:		
Buildings:		
Expiry within 1 year	18	-
Expiry after 1 year but not more than 5 years	-	3
Expiry thereafter	35	54
<b>Total</b>	<b>53</b>	<b>57</b>
Other:		
Expiry within 1 year	68	95
Expiry after 1 year but not more than 5 years	406	336
Expiry thereafter	-	-
<b>Total</b>	<b>474</b>	<b>431</b>

## 22.2 Finance leases

	2008-09 £000	2007-08 £000
Obligations under finance leases are as follows:		
Rentals due in one year or less	54	33
Rentals due in more than one year but not more than two years	30	33
Rentals due in more than two years but not more than five years	50	61
Rentals due in more than five years	195	166
<b>Total</b>	<b>329</b>	<b>293</b>

### Note 23 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 £3.1 million as at 31 March 2009 (£3.3 million in 2007-08). 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 £3.8 million at 31 March 2009 (£2.6 million in 2007-08).

### Note 24 Contingent liabilities disclosed under FRS 12

There were no contingent liabilities at 31 March 2009.

### Note 25 Post balance sheet events

These financial statements were authorised for issue on 8 July 2009 by the Accounting Officer.

### Note 26 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 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	£1,386,000
Tilhill Forestry	£2,835,000

Amounts owing to Forestry Commission Wales at 31 March 2009 was:

BSW Timber plc	£325,000
Tilhill Forestry	£454,000

## Note 27 Financial instruments

### 27.1 Investments in non-public sector bodies (Available for sale financial assets)

	2008-09 £000	2007-08 £000
At 1 April	371	-
Additions	-	274
Net gains/losses transfer from equity	-	-
Net gains/losses transfer to equity	-	97
<b>At 31 March</b>	<b>371</b>	<b>371</b>

Available for sale financial assets comprises Forestry Commission Wales' partnership share of Forest Holidays LLP, an unlisted investment denominated in UK pounds

### 27.2 Financial Instruments by Category

	2008-09			2007-08		
	Loans and Receivables £000	Available- for-sale £000	Total £000	Loans and Receivables £000	Available- for-sale £000	Total £000
<b>Assets as per the Balance Sheet</b>						
Available-for-sale financial assets	-	371	371	-	371	371
Derivative financial instruments	-	-	-	-	-	-
Trade and other receivables (excluding prepayments)	5,113	-	5,113	5,761	-	5,761
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Cash and cash equivalents	1,005	-	1,005	830	-	830
<b>Total</b>	<b>6,118</b>	<b>371</b>	<b>6,489</b>	<b>6,591</b>	<b>371</b>	<b>6,962</b>

	2008-09			2007-08		
	Liabilities at fair value through the profit and loss £000	Other financial liabilities £000	Total £000	Liabilities at fair value through the profit and loss £000	Other financial liabilities £000	Total £000
<b>Liabilities as per the Balance Sheet</b>						
Borrowings (excluding finance lease liabilities)	-	-	-	-	-	-
Finance lease liabilities	-	329	329	-	294	294
Derivative financial instruments	-	-	-	-	-	-
Trade and other payables excluding statutory liabilities	-	2,171	2,171	-	2,830	2,830
<b>Total</b>	<b>-</b>	<b>2,500</b>	<b>2,500</b>	<b>-</b>	<b>3,124</b>	<b>3,124</b>

### 27.3 Exposure to risk

Forestry Commission Wales' activities expose it to a variety of financial risks.

Credit risk – the possibility that other parties might fail to pay amounts due;

Liquidity risk – the possibility that the Forestry Commission Wales might not have funds available to meet its commitments to make payments; and

Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Because of the largely non-trading nature of its activities and the way in which government departments are financed, the Forestry Commission Wales is not exposed to the degree of financial risk faced by business entities.

#### a) Credit Risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Forestry Commission Wales' exposure to credit risk is limited to the risk of non-payment by customers as no deposits are held with commercial banks.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by Forestry Commission Wales. The utilisation of credit limits is regularly monitored.

Forestry Commission Wales monitors overdue payments from customers on an individual basis. At 31 March 2009, Forestry Commission Wales made provision against one debtors totalling £8,000 analysed as follows:-

	<b>2008-09 £000</b>
Customer ceased trading	8

£1,512,000 of the £4,068,000 trade debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>2008-09 £000</b>
Less than one month	91
One to two months	1,183
Two to three months	48
More than three months	190
<b>Total</b>	<b>1,512</b>

## b) Liquidity Risk

Each financial year, the Welsh Assembly makes provision for the use of resources by Forestry Commission Wales for revenue and capital purposes in a Budget Act 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 Act. The Act also specifies an overall cash authorisation to operate for the financial year. Forestry Commission Wales is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

	<b>Less than 1 year £000</b>	<b>Between 1 and 2 year £000</b>	<b>Between 2 and 5 years £000</b>	<b>Over 5 years £000</b>
<b>At 31 March 2009</b>				
Borrowings (excluding finance lease liabilities)	-	-	-	-
Finance lease liabilities	54	30	50	195
Derivative financial instruments	-	-	-	-
Trade and other payables excluding statutory liabilities	2,171	-	-	-
<b>Total</b>	<b>2,225</b>	<b>30</b>	<b>50</b>	<b>195</b>

	<b>Less than 1 year £000</b>	<b>Between 1 and 2 year £000</b>	<b>Between 2 and 5 years £000</b>	<b>Over 5 years £000</b>
<b>At 31 March 2008</b>				
Borrowings (excluding finance lease liabilities)	-	-	-	-
Finance lease liabilities	33	33	61	166
Derivative financial instruments	-	-	-	-
Trade and other payables excluding statutory liabilities	2,830	-	-	-
<b>Total</b>	<b>2,863</b>	<b>33</b>	<b>61</b>	<b>166</b>

### c) Market Risk

The department has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the department in undertaking its activities.

#### (i) Cash flow and fair value interest rate risk

Forestry Commission Wales has no significant interest bearing assets or liabilities and as such income and expenditure cashflows are substantially independent of market interest rates.

#### (ii) Foreign Currency Risk

Forestry Commission Wales does not generally undertake transactions in foreign currency, therefore its exposure to foreign currency risk is minimal.

### 27.4 Capital risk management

Forestry Commission Wales has no powers to borrow or invest surplus funds.

### 27.5 Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

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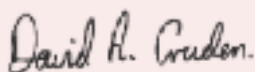
### Note 28 Entities within the departmental boundary

There were no other entities within the boundary during 2008-09.

## 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.



David A Cruden FCA  
Head of the Central Accountancy Team, H M Treasury  
9 September 2005



Forestry Commission Wales are the Welsh Assembly Government's Department of Forestry reporting to the Minister for the Department of Rural Affairs; we are also part of Forestry Commission GB.

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Published by - Forestry Commission Wales

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