



FOREST SERVICE

# forest service annual report

2007-08



An Agency In the Department of  
**Agriculture and  
Rural Development**

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AN BHEIN  
**Talmháiochta agus  
Forbartha Tuaithe**  
MANNISTRE O  
**Fairms an  
Kintra Fordèrin**



INVESTOR IN PEOPLE



**Forest Service Annual Report and Accounts  
For the year ended 31 March 2008**

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

*4 July 2008*

Should accessible formats such as large type, audio cassette or a language other than English be required, please contact the Customer Services Manager at Forest Service Headquarters and appropriate arrangements will be made as soon as possible.

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**Annual Report  
for the period 1 April 2007 – 31 March 2008**

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Sleive Gullion Forest, Armagh

## Chief Executive's Foreword



I am pleased to present the Annual Report and Accounts of the Forest Service for the year ended 31 March 2008.

We achieved 5 of the 6 Key Targets set by the Minister and fully achieved 11 of the 16 other targets that relate to our main operational activities, with substantial progress made in 4 other areas. In the case of the absenteeism target, final figures were not available in time for inclusion in this report. We performed well against both of our Performance Standards, with the Financial Control standard achieved and the Customer Service standard substantially achieved.

We sold just over 407,000 cubic metres of timber, generating an income of £6.8million. This represents a modest increase of 4,000 cubic metres from 2006/07.

Our key business objective is the sustainable management of our existing forests and woodlands, so that we can meet our current needs for wood production and economic activity, public access and environmental protection while, at the same time, safeguarding forests for future generations. We are also working to expand the area of forest significantly over coming years. During 2007/08, 552 hectares of new woodland were created. In the coming year, we will review the opportunities for promoting grant-aided woodland expansion. We have continued our work to obtain better value from the public forest estate and secure operational partners to improve the quality and range of services and visitor experiences. We continued to engage with the Strategic Investment Board Limited, to take forward recommendations made by Tourism and Transport Consult International (TTCI) regarding options for recreational development and we expect a positive outcome in this area during the 2008/09 business year.

During the year, we were successful in retaining our certified status under the UK Woodland Assurance Standard, verified through independent audit. This requires us to manage our existing woodland in a way that provides assurance about the quality of timber products and environmental impact. Our certified status remains valid until 2010, subject to annual audit inspections.

We worked closely with Fermanagh District Council in their successful application to the United Nations Educational, Scientific and Cultural Organisation, to expand the Marble Arch Caves European Geopark. The Geopark, which includes large areas of Forest Service land, will help maximise the tourist potential in Fermanagh and further afield. The partnership approach was very successful and demonstrates, our commitment to work with others to secure mutually beneficial outcomes.

We continued to roll out our Signage Strategy and installed Way Marked trails at Tollymore and Glenariff Forest Parks and Drumcairne and Rostrevor Forests. The trails are categorised according to their accessibility and each category provides information to enable visitors to make an informed decision about which trail to follow. We also worked

with the Northern Ireland Orienteering Association to site eco-trails at Parkanaur Forest in County Tyrone and Gosford Forest Park in County Armagh.

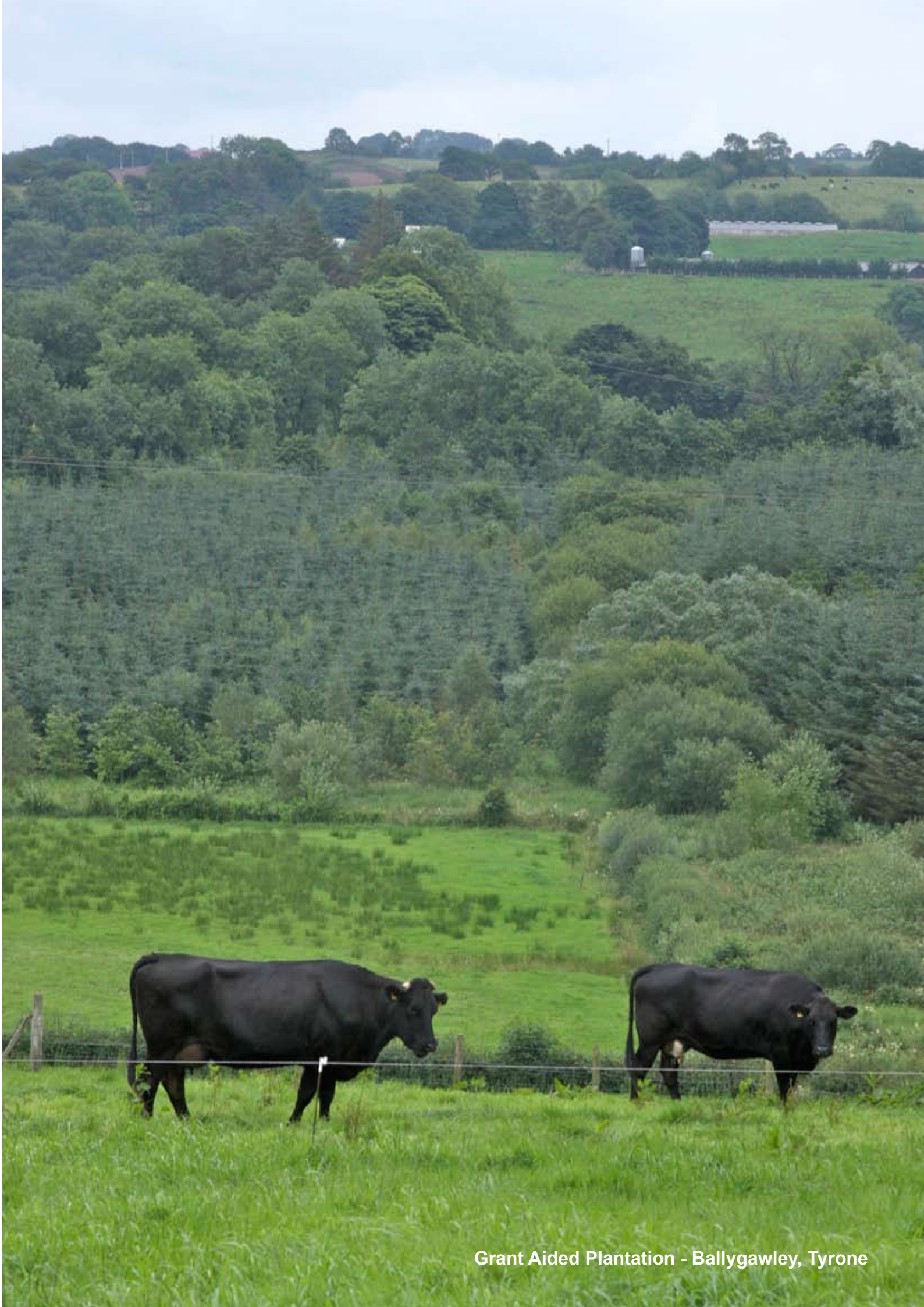
During the year, we completed a review of our organisational structure. The review concluded that administering our services on a functional basis, rather than through the current District structure, should enable us to better meet our business and strategic objectives, while achieving efficiencies. We will implement the necessary organisational changes during 2008/09.

Finally, it is with regret that I have to report the untimely death of our Non-Executive Director, Mr Ian Forshaw, in September 2007. Ian, who was Director of the Forestry Commission (Wales), had been a member of our Board since 2005. I wish to record here the Board's appreciation of the significant contribution that he made to our discussions on the full range of business issues.



**David Small**  
**Chief Executive**  
**23 June 2008**





Grant Aided Plantation - Ballygawley, Tyrone

# Directors' Report

## Management Board

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

The Agency's headquarters are at Dundonald House in Belfast and its operational activities are organised through three Districts, West, East and North, with offices at Enniskillen, Castlewellan and Garvagh. Forestry training is provided by the College of Agriculture, Food and Rural Enterprise under a Service Level Agreement.

Appointments to the Board are normally made by open competition or internal promotion. At 31 March 2008, the Board's membership was:

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<b>Chief Executive</b>	_____	<b>David Small</b>
<b>Director - Operations</b>	_____	John Joe O'Boyle
<b>Director - Policy and Operations</b>	—	Stuart Morwood MICFor
<b>Director - Corporate Services</b>	_____	Gerry Hill
<b>Non- Executive Director</b>	_____	Vacant

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## Accounts Direction

The Forest Service's audited Accounts for the Financial Year 31 March 2008 have been prepared in accordance with the Department of Finance and Personnel Direction under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

## History and Statutory Background

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

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

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



## Aims

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

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

## Objectives

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

### Operational

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

### Customer Service

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

### Value for Money/Efficiency

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

### Pension Costs

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

### Conflict of Interests

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

## Auditors' Remuneration

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

The audit of the financial statements for 2007-08 resulted in an audit fee of £15,400 (2006-07: £16,500) and is included in Other Administration Costs in the Operating Cost Statement. The auditors did not provide any non-audit services during the year.

## Disclosure of information

So far as the Chief Executive is aware, there is no relevant audit information of which the Agency's auditors are unaware. The Chief Executive has taken all reasonable steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.



Gortin Glen Forest Park



### Achievements against Key Ministerial Targets

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

Planned outcomes for citizens	2007/2008 target	2007/2008 outturn	2008/2009 target
Improve the legislative basis for forest policy, improve the sustainability of forests through better regulation, research and guidance, and enable more effective participation in the market.	Establish a Bill Team and prepare instructions for Legislative Counsel.	<p><b>Target not achieved at 31 March 2008</b></p> <p>The Bill team is in place, the Minister has agreed to the proposed legislative changes and drafting of instructions has commenced. A draft Policy Memorandum is being developed.</p>	Introduce the draft Bill during the 2008/2009 legislative session.
Extend the area of woodland in Northern Ireland.	Achieve the planting of 550 ha of new plantations, including 100 ha of Short Rotation Coppice willow (SRC)	<p><b>Target achieved</b></p> <p>552 ha were planted, comprised of 537 ha of private planting (including 275 ha SRC) and 15 ha of state planting.</p>	<p>Increase new woodland cover by at least 550 ha.</p> <p>Complete a review of the opportunities for promoting grant-aided woodland expansion.</p>



<p>Improved economic, social and environmental sustainability of forests.</p>	<p>Sell at least 400,000m<sup>3</sup> of timber.</p> <p>Retain the Certificate of good forest management under the UK Woodland Assurance Standard.</p> <p>Achieve at least 400,000 paying visitors to forests.</p>	<p><b>Target achieved</b> 407,105m<sup>3</sup> sold</p> <p><b>Target achieved</b> Certification retained following surveillance visit by auditors in March 2008.</p> <p><b>Target achieved</b> 517,765 paying visitors achieved.</p>	<p>Sell at least 400,000 m<sup>3</sup> of timber.</p> <p>Earn at least £6.5 m from the sale of timber.</p> <p>Maintain UK Woodland Assurance Standard certification.</p> <p>A target for numbers of paying visitors is being discontinued, as achievement can depend on factors outside of Forest Service's control. It will be replaced in the 08/09 Business Plan with alternative recreation targets.</p>
<p>To improve the profitability of forests</p>	<p>Deliver efficiency savings of £1.28 million.</p>	<p><b>Target achieved</b> Savings of £1.77 m were achieved.</p>	<p>The 2008/09 Business Plan sets out supporting targets for the delivery of efficiency savings.</p>



			<p><b>In preparing for valuation of woodland in accordance with International Accounting Standards 41 and 16, satisfy NI Audit office and Internal Audit with approach/ Methodology.</b></p>
			<p><b>Achieve Ministerial agreement to and publication of a strategy on social use and recreation within forests.</b></p>
			<p><b>Meet customer service standards (respond to 90% of written correspondence within 10 working days; acknowledge all written complaints within 3 days of receipt and provide a full response to 90% of written and verbal complaints within 15 working days of receipt).</b></p>



## Achievements against Other Supporting Targets

Target area	2007/2008 target	2007/2008 outturn
<p>Improve the legislative basis for forest policy, improve the sustainability of forests through better regulation, research and guidance, and enable more effective participation in the market.</p>	<p>Produce guidance for avoiding disturbance of Hen Harriers and other raptors in forests.</p> <p>Review Plantation on Ancient Woodland Sites (PAWS) Strategy</p> <p>Publish a strategy for the social use of state forests.</p> <p>Produce plant health regulations in respect of wood packaging material.</p>	<p><b>Target achieved</b> Guidance produced.</p> <p><b>Target achieved</b> Review completed.</p> <p><b>Target not achieved by 31 March 2008</b> The intent and purpose of the Strategy was changed by the Forest Service Board during the year. The strategy will be published in the 2008/2009 year.</p> <p><b>Target not achieved by 31 March 2008</b> Primary legislation is required. An amendment to the Plant Health Act can be made within the new Forestry Act which will be taken forward in the 2008/2009 legislative programme.</p>



<p>Double the area of forest in the long term.</p>	<p>Achieve planting of 550 hectares of new plantation, including 100 hectares of Short Rotation Coppice (SRC).</p> <p>Publish indicative maps for afforestation.</p>	<p><b>Target achieved</b> 552 ha were planted, comprised of 537 ha of private planting (including 275 ha SRC) and 15 ha of state planting.</p> <p><b>Target achieved</b> A map and supporting paperwork was published on the Forest Service website <a href="http://www.forestserviceni.gov.uk">www.forestserviceni.gov.uk</a></p>
<p>Improve economic, social and environmental sustainability of forests.</p>	<p>Review timber inventory and forest valuation.</p> <p>Improve arrangements for consulting the community about the impacts of our management of local forests, to comply with the requirements of the UK Woodland Assurance Standard.</p>	<p><b>Target not achieved by 31 March 2008</b></p> <p>Review of timber inventory completed. Forest valuation to be established during 2008/2009, in line with revised Treasury target for the implementation of International Accounting Standard 41.</p> <p><b>Target achieved</b> Revised guidance has been produced for implementation by staff.</p>



	<p>Monitor the success of forest regeneration to ensure that the area of forest waiting replanting does not exceed 1.5 times the area harvested in any year.</p> <p>Earn at least £5.1 million from sales of forest products.</p> <p>Earn at least £0.5million from forest recreation.</p> <p>Revise the forecast of timber production.</p> <p>Assess the market for attracting private sector businesses to major forest parks.</p>	<p><b>Target achieved</b></p> <p><b>Target achieved</b> £6.8 m of sales of forest produce achieved.</p> <p><b>Target achieved</b> £819,704 earned from commercial and non commercial recreation</p> <p><b>Target not achieved by 31 March 2008</b> Forest timber inventory measurements have been completed and a database updated from which to run future timber production forecasts.</p> <p>It is expected that a timber production forecast will be published in 2008/2009, in connection with the establishment of new long term contract arrangements with customers. These will be in place by 31 March 2009.</p> <p><b>Target achieved</b> A consultants' report on opportunities has been assessed by the Forest Service Board and a number of recommendations are being pursued in conjunction with the Strategic Investment Board.</p>
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Improve the profitability of forests.	Implement organisational changes.	<b>Target achieved.</b> Organisational review completed. An implementation plan is in place. Organisational changes began on 1 April 2008.
	Maintain absenteeism rates at, or below, an annual average of 9 days per person.	Year end figures were not available at the time of printing this report.
	Implement the Forest Service elements of the NI Civil Service reform programme.	<b>Target achieved</b> Forest Service has participated in corporate reform initiatives. Staff have been identified for training when Account NI is activated.

### Achievements against Performance Standards

Performance Standards	2007/2008 target	2007/2008 outturn
Customer Service standards.	Respond to written correspondence within 10 working days.	<b>Performance standard substantially achieved</b> 94% responded to within 10 days.
Financial control standards.	Achieve a financial outturn that is within resource limits.	<b>Performance standard achieved</b>

## **Forest expansion**

### **Extending the area of woodland in Northern Ireland**

We exceeded our key target to establish 550 hectares of new woodland, including 100 hectares of Short Rotation Coppice Willow (SRC). Private landowners planted 537 hectares which included 275 hectares of SRC, Forest Service planted a further 15 hectares, resulting in a final total of 552 hectares established.

Over 92% of new planting was carried out with broadleaved species and complied with the requirements of the UK Forestry Standard and accompanying guidelines. Grant aid for forestry measures co-funded by the European Union under the Northern Ireland Rural Development Programme totalled £2.33m.

## **Sustainable forest management**

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

This year we sold 407,105 m<sup>3</sup> of timber, meeting the requirements of our Key Target to sell at least 400,000m<sup>3</sup>. The total volume of wood dispatched from forests during the year amounted to 423,059 cubic metres and includes some timber sold in the previous year. Further details of harvesting records for 2006-2008 and timber sales for 2007-2008 are given at Appendix 1 (Tables 1 and 2).

Timber receipts for the year totalled £6.8 million. The average prices received for harvested and standing conifer timber are shown in Appendix 2.

During the year we agreed with our customers to extend the long term supply contracts by the additional year which is optional within the contracts.

Together with a major customer, we undertook an innovative pilot project where 20 hectares of poor quality, low yield Lodgepole Pine were successfully harvested. Both the roundwood and non-timber residues were removed and processed by a local sawmiller who is now replanting the site in line with the forest re-design plan.

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

Our forests continue to be used extensively for informal public recreation. There were over 500,000 paying visitors, against our target of 400,000. This represents an increase of nearly 9% in paying visitors compared to the previous year.

We spent £1.5m maintaining the paths, toilet blocks and other visitor facilities, and recovered £0.8m from charges.



## Recreational Development in Forests

Forest Service received the final report from the consultants TTC International, who completed a feasibility study on options for recreational development in forests. The recommendations contained in the report have been considered by the Board and work is underway to implement some of these.

## Fermanagh Geopark

We continued to explore the scope for recreational development in non-charged areas with operational partners. After detailed discussions between Forest Service and Fermanagh District Council, UNESCO approved the expansion of the Marble Arch caves European Geopark to include large areas of Forest Service land in West Fermanagh. The partnership approach was further cemented with a memorandum of understanding relating to a joint venture between Fermanagh DC and DARD and this will provide a foundation to develop and increase the social use of forests in this geographical region. The Geopark is the only one in Northern Ireland.



Lough Navar forest - view point

## Recycling Plant

Forest Service also facilitated Derry City Council and finalised arrangements with them for a Recycling Centre at Learmount Forest.

## Ecotrails

We concluded work with the Northern Ireland Orienteering Association on proposals to site eco-trails at Parkanaur Forest in County Tyrone and Gosford Forest Park in County Armagh. The fundamental aim of the eco-trail product is to develop the environmental and social awareness of children.

Having obtained Ministerial approval, Forest Service concluded complex negotiations in-year, for disposal of an area of land at Ely Lodge in West Fermanagh, which was required by developers for a Nick Faldo golf course.

Significant progress was also made in conjunction with the Environment and Heritage Service in finalising and agreeing the revised route for the Ulster Way where this impacts on Forest Service land.

In the period from April 07 - March 08 there were a total of 198 school visits to forests which required the services of a Forest Service Guide. The total number of people on guide-led visits amounted to 10,938. Whilst the majority of these consisted of school children, many other groups were accommodated such as youth groups, playgroups, community groups and senior citizens.

## Forest Protection and Environmental Enhancement

We continued working to protect forests from attack by exotic insects by monitoring and inspecting imports on a risk basis. We were grateful for the co-operation of DARD Portal Inspectors in identifying commodities from China, Japan, Canada and the USA for inspection and the issuing of Certificates of Inspection and Clearance. We issued 1843 Certificates. No detention notices were issued this year, although there were 3 breaches of conditions.

We issued 173 phytosanitary certificates, mainly for wooden packaging that accompanied manufactured goods being exported.

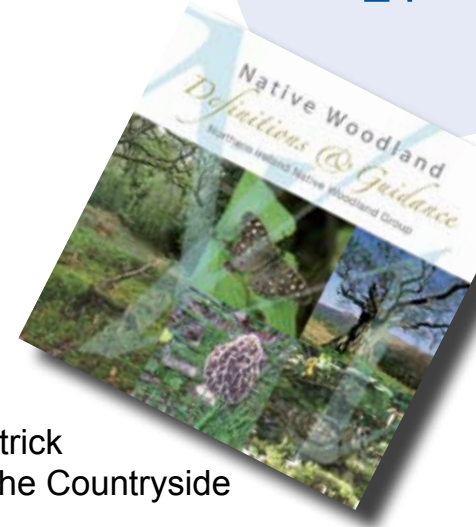
We were grateful to staff from the Agri-Food and Biosciences Institute (AFBI) for their assistance in surveys of forests for exotic insect pests and harmful fungi, and we co-ordinated our effort with that of AFBI in a survey of 30 Forest Service and privately owned woodlands for the presence of the fungus *Phytophthora ramorum* which causes the disease sudden oak death. The disease was not found to be present in any of the sites managed by Forest Service, however, it was found within two wooded estates and steps have been taken to contain its spread. The five permanent survey stations for *Ips typographus* and *Ips cembrae* bark beetles were baited with pheromones in the summer of 2007 and no beetles were captured.

During the year, 44 opinions regarding the likely environmental impact of forestry projects were provided in respect of the Environmental Impact Assessment (Forestry) Regulations (NI) 2006. These related to 24 afforestation projects, 7 deforestation projects and 13 forest road works. One afforestation project was considered to be likely to have a significant effect on the environment, and did not proceed.

During the year, guidance was produced to help forest managers and event organisers plan forestry operations and recreational activities within areas frequented by the Hen Harrier. This guidance clarifies statutory responsibilities, details appropriate survey techniques to indicate possible nest sites and describes how to complete a screening matrix to comply with the Habitats Regulations, should the area lie within a Special Protection Area.

A management strategy was produced for all Forest Service woodland which was included in the Ancient Woodland Inventory carried out by Woodland Trust and published in 2007. Planning of operations within these woodlands will take account of the need to protect ancient woodland remnant features such as veteran trees or diverse areas of woodland flora.

We produced a booklet 'Native Woodland Definitions & Guidance' for the Northern Ireland Native Woodland Group. The booklet provides useful information in relation to the establishment of new native woodland, including choice of species to plant, woodland design, sources of seed and planting material, the use of natural colonisation and regeneration, and forestry and environmental regulation. The booklet was launched at Belvoir Park Forest by Patrick Casement, Chairman of the Council for Nature Conservation and the Countryside (CNCC).



Forest Service helped to establish the Glens Red Squirrel Group at Glenariff Forest Park, one of the last few large forest parks with a viable Red Squirrel population in the area. Sightings of Golden Eagles, from both Glenveagh in Donegal and Kintyre in Scotland, continue to be reported in the forests along the north Coast.

Forest operations and recreation events with the potential to affect important features within Special Protection Areas (SPAs) and Special Areas of Conservation (SACs) are subject to the Conservation (Natural Habitats etc) Regulations (Northern Ireland) 1995 and subsequent amendments. In respect of the Regulations, formal consultations with Environment & Heritage Service were conducted in relation to 14 projects within either the Antrim Hills SPA for Hen Harrier and Merlin, or the Slieve Beagh, Mullaghfad and Lisnaskea SPA for Hen Harrier. A further 20 consultations were conducted in relation to afforestation proposals and a range of forest operations and recreation events planned to take place either within or in close proximity to a number of SACs.

## Customer Service and Quality

We remain committed to providing all our customers with a high standard of service. Customers include the public who visit our forests and buildings, sawmill owners, and applicants for forestry grant aid. The standards we use are published in Customer Charters.

We substantially achieved our performance target of responding to written correspondence within 10 days by issuing 94% of responses within this timescale. We also achieved our target in respect of financial outturn and details of our performance are shown on pages 24-25.

We received 61 complaints. The circumstances of each complaint were thoroughly investigated and we responded to 60 of them (98%) within 15 days.

## Publications

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

## **Managing the Business**

### **Corporate Governance**

The Agency operates a system of internal control to provide reasonable assurance of the effectiveness of corporate governance arrangements and to meet the requirements of the Department of Finance and Personnel. A detailed description of the Agency's system of internal control is given on page 37.

### **Business Continuity**

We maintained our liaison with the Northern Ireland Fire and Rescue Service and DARD's Veterinary Service, as set out in Memorandums of Understanding which ensure co-operation and integration with these organisations, as well as clarifying roles and responsibilities in relation to response to emergency incidents.

We also maintained and reviewed our contingency plans for maintaining/relocating services from our various sites, in the event of an emergency situation arising.

### **Human Resource Development**

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

We follow the NI Civil Service Code of Practice on the employment of people with disabilities. Our aim is to ensure that disability is not a barrier to recruitment or advancement, nor that it unreasonably limits training opportunities and career development.

Forest Service consults with representatives of the industrial workforce at the Joint Industrial Council. Non-industrial staff are consulted through Whitley Council mechanisms. Forest Service has a Human Resource Strategy and is committed to the Investors in People standards. We place a high priority on staff training and development in order to enhance staff skills for the achievement of our business objectives and to improve job satisfaction. The following indicates the Agency's commitment to staff development:

- We are committed to ensuring that our staff have the necessary competencies to achieve business objectives;
- We encourage staff to pursue their personal development and communicate all opportunities available to them;
- We are committed to achieving business excellence through continuous



improvement and to maintaining the Investors In People standard;

- We develop staff, consistent with the Agency's policies on equal opportunities and health and safety and other relevant legislation; and
- We commit resources to fulfil the training and development aims.

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

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

Forest Service continues to adhere to all existing Health & safety legislation so that all staff and customers can safely work in, or visit, our forests. Arrangements and procedures for monitoring lone workers have been updated and staff informed.

## Information Systems and Development

The main vehicle for communicating with the public is our Internet web site **www.forestserviceni.gov.uk** and we also maintain a dedicated Peace Maze website **www.peacemaze.gov.uk**.

We have a Geographic Information System (GIS) to visualise our estate database. This year we launched an improved intranet based GIS called ILEX (intranet low end extension). ILEX helps to plan forest operations by giving all staff the tools to analyse and map operational and environmental information and has been a key development in our use of GIS.

## Financial Performance

### Resource Accounting and Budgeting

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

### Net Operating Cost of the forestry programme for 2007/2008

The Operating Cost Statement shows the net cost of the Agency's operations on a full resource basis. The net cost was £16.0m, representing an increase of 9.6% from the previous year (2006-07: £14.6m). The increase was mainly due to an increase in programme expenditure with a continued increase in timber receipts.

The trend of increasing capital charges, due to the revaluation of timber and the indexation of Land and Buildings, continued in 2007-08 with a cost to the Agency for the year of £10.7m, an increase of 12.6% on the previous year (2006-07: £9.5m).

The net resource cost of the forestry programme was £8.5m, resulting in an increase of 19.7% (2006-07: £7.1m).

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

The Agency managed its finance within the final control totals set by the Department.

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

Within its Departmental Expenditure Limit resource allocation, Forest Service was required by the Department to contain its Departmental Running Costs (DRC) to £6.54m. Through a combination of careful planning and close monitoring of DRC, expenditure was limited to £6.38m

### Fixed Assets

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

The value of growing timber is included in the accounts on a replacement cost basis, which excludes the physical growth element. As the costs incurred in growing the timber decrease, the value derived from these costs also decrease.

With the adoption of International Accounting Standards (IASs) by all Government Departments from 2009-10, timber valuation will be determined in line with the requirements of IAS 41 Agriculture.

## Payment to Suppliers

Forest Service is committed to

- The Confederation of British Industry's Better Payment Practice Code; and
- British Standard BS7890 - Achieving Good Payment Practice in Commercial Transactions

Unless otherwise stated in the contract, payment is due within 30 days of receipt of the Goods/Services or presentation of a valid or similar demand, whichever is later.

During the year, 95.64% of bills were paid within this Standard (2006-07: 97.66%).

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

## Political and Charitable Donations

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

## Future Development, Performance and Position

Forest Service will remain the lead body for delivery of the forestry strategy "A Strategy for Sustainability and Growth", published in March 2006, and will deliver services on a unified regional basis, to compete in timber markets and contribute effectively to supply chain efficiency. We will look for further efficiency savings and improve our commercial focus, while ensuring that, in the exercise of our functions, we achieve a proper balance between competing objectives for the use of forests, as required by the forestry strategy.

Whilst Forest Service is not dependant upon individual customers, the continued successful trading of a small number of major customers in the wood processing industry remains vital to the delivery of our objectives.

### Forest Service Statistical Summary 2007/2008

	Units	2007/2008	2006/2007
Total area managed	Hectares	76,000	75,500
Forested area	Hectares	61,200	61,200
Acquisition Programme	Hectares	-	10.5 transferred from CAFRE
Disposal Programme	Hectares	16.22	0.24
Timber Production - roadside	Cubic metres	101,000	81,000
- standing	Cubic metres	322,000	332,000
New Planting	Hectares	15	0
Replanting	Hectares	454	750
Fire Damage	Hectares	34.8	54.5
Day visitors to charged recreation areas	Thousands	440	410
Caravan/camping long stay sites(nights)	Thousands	78	65
Staff numbers at 31 March - industrial	Full time equivalent persons	138	154
- non-industrial	Full time equivalent persons	97.5	108

Note: All figures are rounded for clarity



Appendix 1 - Table 1

## RECORD OF HARVESTING: April 2006 - March 2008

DISTRICT	STANDING VOLUME (m <sup>3</sup> )		ROADSIDE VOLUME (m <sup>3</sup> )		TOTAL	
	07-08	06-07	07-08	06-07	07-08	06-07
NORTH	58,452	61,156	41,464	24,245	99,916	85,401
EAST	58,937	64,475	10,178	12,917	69,115	77,392
WEST	205,018	206,828	49,010	44,374	254,028	251,202
TOTAL	322,407	332,459	100,652	81,536	423,059	413,995

Note : All figures represent volume dispatched from forests

Table 2

**BREAKDOWN OF SALES : Agreed for April 2007 - March 2008**Volumes to 7cm TDOB to nearest m<sup>3</sup>, areas in hectares

DISTRICT	VOLUME by SPECIES			THINNINGS			CLEARFELL			MISC. FELLING	TOTAL VOLUME
	Spruce	Other Conifers	Hard-woods	Area	Volume	Vol. Per hectare	Area	Volume	Vol. Per hectare		
<b>STANDING SALES</b>											
NORTH	49,548	901	0	0	0	0	106.6	50,449	473	0	50,449
EAST	38,486	23,796	34	0.6	34	57	147.4	62,282	423	0	62,316
WEST	197,508	11,467	23	5.4	23	4	478.5	208,975	437	0	208,998
TOTAL	285,542	36,164	57	6.0	57	10	732.5	321,706	439	0	321,763
<b>ROADSIDE SALES</b>											
NORTH	35,098	1,151	26	69.4	2,880	41	71.8	31,861	444	1,534	36,275
EAST	7,763	1,891	90	87.1	5,653	65	5.5	2,363	430	1,728	9,744
WEST	38,246	1,076	0	45.8	4,252	93	80.7	33,699	418	1,371	39,322
TOTAL	81,107	4,118	116	202.3	12,785	63	158.0	67,923	430	4,633	85,341
<b>ALL SALES</b>											
GRAND TOTAL	366,649	40,282	173	208.3	12,842	62	890.5	389,629	438	4,633	407,104

## Appendix 2

**AVERAGE PRICES (£/m<sup>3</sup>) OF CONIFEROUS TIMBER 2007/08**  
**Average Volume per Tree Over Bark (m<sup>3</sup>)**

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

**Roadside Timber**

-	18.41	20.92	23.62	20.28	20.58	23.22	23.23	25.46	24.85	-	24.48	36.50	23.22
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**Standing Timber**

-	-	4.99	-	9.20	12.55	14.97	14.90	16.42	19.98	17.10	-	18.55	14.04
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The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

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

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

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

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

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

## **Service Contracts (Audited)**

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Mr Ian Forshaw, a Non-Executive Director of the Forest Service Management Board, sadly passed away in September 2007. At present this position remains vacant.

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



## Salary and Pension Entitlements

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

### Senior Management

#### (a) Remuneration

	2007-08		2006-07	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
<b>Mr D Small</b> Chief Executive (Note 1)	60 - 65	-	10 -15	-
<b>Mr M Beatty</b> Chief Executive (Note 2)	-	-	35 - 40	-
<b>Mr JJ O'Boyle</b> Director of Operations	45 - 50	-	50 - 55	-
<b>Mr G Hill</b> Director of Corporate Services	45 - 50	-	40 - 45	-
<b>Mr C McCully</b> Director of Corporate Services (Note 3)	-	-	0 - 5	-
<b>Mr S Morwood</b> Director of Policy and Standards	40 - 45	-	40 - 45	-

#### Salary

'Salary' includes gross salary; performance pay or bonuses; and any other allowance, such as London Weighting Allowances, to the extent that it is subject to UK taxation. This report is based on payments made by the Forest Service and thus recorded in these accounts.

#### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

## Senior Management

### (b) Pensions

	Real increase in pension and related lump sum at age 60 £'000	Total accrued pension at age 60 as at 31 March 2008 and related lump sum £'000	CETV at 31 March 2008 or at date of leaving £'000	CETV at 31 March 2007 or at date of leaving £'000	Real increase in CETV (Note 7) £'000	Employer contribution to partnership pension account including risk benefit cover to nearest £100
<b>Mr D Small</b> Chief Executive (Note 1)	0-2.5 plus lump sum of 0-5	20-25 plus lump sum of 60-65	364	293	27	-
<b>Mr M Beatty</b> Chief Executive (Note 2)	0-2.5 plus lump sum of 0-2.5	20-25 plus lump sum of 65-70	453	453	0	-
<b>Mr JJ O'Boyle</b> Director of Operations	0-2.5 plus lump sum of 0-2.5	15-20 plus lump sum of 45-50	309	271	4	-
<b>Mr G Hill</b> Director of Corporate Services	0-2.5 plus lump sum of 0-2.5	20-25 plus lump sum of 65-70	515	460	22	-
<b>Mr C McCully</b> Director of Corporate Services (Note 3)	0-2.5 plus lump sum of 0-2.5	20-25 plus lump sum of 65-70	537	537	0	-
<b>Mr S Morwood</b> Director of Policy and Standards	0-2.5 plus lump sum of 0-2.5	10-15 plus lump sum of 35-40	210	191	0	-

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

1. Mr Small joined on 22 Jan 2007.
2. Mr Beatty transferred out of Forest Service on 9 October 2006.
3. Mr McCully retired on 12 April 2006.



## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 % of pensionable earnings for classic and 3.5 % for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 % and 12.5 % (depending on the age of the member) into a stakeholder pension product chosen by the employee. 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 60, or immediately on ceasing to be an active member of the scheme if they are already 60.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensions-ni.gov.uk](http://www.civilservicepensions-ni.gov.uk)

Details of the pension costs are contained in Note 1.4 to the Accounts.

### \*Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from

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

### **Real increase in CETV**

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



**David Small**  
Chief Executive  
23 June 2008





Glenariff Forest Park, Co Antrim



## STATEMENT OF AGENCY'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES

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

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

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

- observe the accounts direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departure in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

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



**David Small**  
Chief Executive  
**23 June 2008**

## **STATEMENT OF INTERNAL CONTROL**

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

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

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

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

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

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

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

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



effectiveness of the Agency's system of corporate governance, risk management and internal control processes, together with recommendations for improvement.

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

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

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

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

The main strategic risk faced by the Forest Service is the impact of a collapse of the Northern Ireland timber market or loss of major customers. This risk is managed through the implementation of long term contracts with major customers.

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

#### **5. Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board and the Forest Service Corporate Governance and Audit Committee. I have noted the satisfactory rating in the internal auditors' annual Assurance Report. The Corporate Governance and Audit Committee's annual report for 2007/08 concludes that there were no significant internal control issues.

In summary, my review of the effectiveness of the Agency's system of internal control relies

upon the directors' Stewardship Reports and the roles carried out by the FSCGAC, the Northern Ireland Audit Office and Internal Audit. Our Non-Executive Director post on the Board has remained vacant since September 2007 (see Foreword). The Non-Executive Director also normally chairs our Corporate Governance and Audit Committee. Since September 2007, the role of Chair of the Audit Committee has been undertaken by other Non-Executive Members of the Committee. I am liaising with the Core Department to agree arrangements to appoint a new Non-Executive Member to the Board. I am unaware of any significant internal control weaknesses that need to be addressed. Overall, I am satisfied that the Agency's internal control systems provide reasonable assurance that all risks relating to the achievement of our policies, aims and objectives are being managed effectively.



**Chief Executive**  
**23 June 2008**

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

I certify that I have audited the financial statements of the Forest Service for the year ended 31 March 2008 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements 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 Department of Finance and Personnel's directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001. I also report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Directors' Report and Management Commentary 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 the Assembly and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with the Department of Finance and Personnel'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 Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the unaudited part of the Remuneration Report and the Chief Executive's Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in



the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

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

### Audit Opinion

In my opinion:

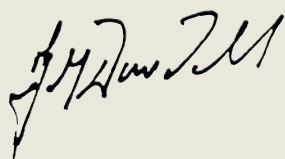
- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and directions made thereunder by the Department of Finance and Personnel, of the state of the Agency's affairs as at 31 March 2008 and of the net operating cost, recognised gains and losses and cash flows for the year then ended;
- 
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Finance and Personnel directions issued under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- 
- the information given within the Annual Report, which comprise of the Directors' Report and Management Commentary, is consistent with the financial statements.

### Audit Opinion on Regularity

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

### Report

I have no observations to make on these financial statements.



**JM Dowdall CB**  
Comptroller and Auditor General  
Northern Ireland Audit Office  
106 University Street  
Belfast BT7 1EU  
24 June 2008

**OPERATING COST STATEMENT**  
for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
<b>Administration Costs</b>			
Staff Costs	4.1	5,774	5,629
Other Administration Costs	6	1,710	1,914
<b>Net Administration Costs</b>		<b>7,484</b>	<b>7,543</b>
<b>Programme Costs</b>			
Expenditure	6	15,534	13,438
Cost of Sales	9	2,384	2,186
Less: EU Income	2	(1,118)	(1,261)
Other Income	2	(8,301)	(7,307)
<b>Net Programme Costs</b>		<b>8,499</b>	<b>7,056</b>
<b>Net Operating Cost</b>		<b>15,983</b>	<b>14,599</b>

All income and expenditure are derived from continuing operations.

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

**STATEMENT OF RECOGNISED GAINS AND LOSSES**  
for the year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Net gain on revaluation of:			
tangible fixed assets	17	5,555	36,459
Net gain on revaluation of:			
intangible fixed assets	17	7	53
<b>Total recognised gains and losses for the financial year</b>		<b>5,562</b>	<b>36,512</b>

The notes on pages 45 to 60 form part of these accounts.

**BALANCE SHEET**  
as at 31 March 2008

	Note	31 March 2008		31 March 2007	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Tangible Assets	8.1	163,466		162,465	
Growing Timber	9	144,846		142,050	
Intangible Assets	8.2	404		447	
			<b>308,716</b>		<b>304,962</b>
<b>Current Assets</b>					
Stocks	10	357		380	
Debtors	12	2,129		1,660	
Cash at bank and in hand	13	40		40	
<b>Current Liabilities</b>					
Creditors - amounts falling due within one year	14	(1,506)		(1,583)	
<b>Net Current Assets</b>			<b>1,020</b>		<b>497</b>
<b>Total Assets less Current Liabilities</b>			<b>309,736</b>		<b>305,459</b>
Provisions for liabilities and charges	16		(140)		(168)
			<b>309,596</b>		<b>305,291</b>
<b>Taxpayers' equity:</b>					
EU Grant Fund	17		603		560
General Fund	17		67,206		67,261
Revaluation Reserve	17		241,787		237,470
			<b>309,596</b>		<b>305,291</b>



David Small  
Chief Executive  
23 June 2008

The notes on pages 45 to 60 form part of these accounts.



**CASH FLOW STATEMENT**  
**for the year ended 31 March 2008**

	<b>Note</b>	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Net cash outflow from continuing operating activities	18a	(3,842)	(3,075)
Capital expenditure and financial investment	18b	787	(486)
Financing	18c	3,055	3,552
Decrease in cash in the period	13	<b>0</b>	<b>(9)</b>

## NOTES TO THE ACCOUNTS for the year ended 31 March 2008

### 1.0 Accounting Policies

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

#### 1.1 Accounting Convention

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

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

#### 1.2 Tangible Fixed Assets

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

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

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

Computer equipment and Software	3 to 7 years
Plant and Machinery	4 to 15 years
Buildings	50 years

Land at Baronscourt is being handed back to its owner in stages up to the year 2024. Depreciation is charged over the period.

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

### 1.3 Intangible Fixed Assets

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

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

### 1.4 Pension Costs

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

### 1.5 Early Departure Costs

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

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

### 1.6 Value Added Tax

Apart from VAT which is taken into account for all trade debtors and trade creditors, all other items in the accounts are exclusive of VAT that is recoverable on a departmental basis.

### 1.7 Stocks and Work In Progress

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

### 1.8 Heritage Assets

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

The Forest Service replaced the walkway in Glenariff Forest Park to encourage access to and recreational use of the forest. This is included in the Balance Sheet as a Heritage Asset. Heritage assets are maintained in perpetuity, and consequently are not depreciated.



## 1.9 Growing Timber

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

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

## 1.10 Grants Payable

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

## 1.11 Cost of Capital

A charge, reflecting the cost of capital utilised by the Agency, is included in operating costs. The charge is calculated at a real rate set by DFP (currently 3.5%) on the average net book value of all assets less liabilities, except for tangible and intangible fixed assets where the cost is based on opening values, adjusted pro-rata for in-year:

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

## 1.12 Taxation

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

## 2 Income

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Programme income:		
EU Income	1,118	1,261
Other Income:		
Timber Sales	6,803	5,928
Christmas Trees	74	70
Commercial Recreation	432	393
Non Commercial Recreation	388	371
Other Activities	604	545
	<b>8,301</b>	<b>7,307</b>
	<b>9,419</b>	<b>8,568</b>

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

### 3 Business Activities Attracting Fees and Charges

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

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

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

	2008			2007		
	Income £'000	Cost £'000	(Deficit) £'000	Income £'000	Cost £'000	(Deficit) £'000
Commercial Recreation	432	391	41	393	373	20
Non-Commercial	388	1,156	(768)	371	1,171	(800)
<b>Total</b>	<b>820</b>	<b>1,547</b>	<b>(727)</b>	<b>764</b>	<b>1,544</b>	<b>(780)</b>

### 4 Staff Numbers and Related Costs

#### 4.1 Staff Costs

	Note	2008 £'000		2007 £'000	
		<i>Total</i>	<i>Permanently employed staff</i>	<i>Others</i>	<i>Total</i>
Wages and Salaries		5,572	5,528	44	5,712
Social Security Costs		398	397	1	391
Other Pension Costs		878	878	0	883
		<b>6,848</b>	<b>6,803</b>	<b>45</b>	<b>6,986</b>
Less capitalised costs	9	(1,074)	(1,074)	-	(1,357)
		<b>5,774</b>	<b>5,729</b>	<b>45</b>	<b>5,629</b>

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

For 2007-08, employers' contributions of £877,822 were payable to the PCSPS(NI) (2006/07 £883,000) at one of four rates in the range 16.5% to 23.5% of pensionable pay, based on salary bands. From 1 April 2008, the salary bands will be revised but the rates will remain the same. The contribution rates reflect benefits as they are accrued in a period, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of nil were paid to one or more of a panel of 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 nil, 0% of pensionable pay, were payable to the PCSPS(NI) to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees. As no staff were in a partnership pension account no payments been made during 2007-08.

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

Three persons retired early on ill health grounds (2006-07 eight persons) ; the total accrued pension liabilities in the year amounted to £4,322 ( 2006-07 £9,133).

#### 4.2 Average Number of Persons Employed

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

	2008 Number		2007 Number	
	<i>Total</i>	<i>Permanently employed staff</i>	<i>Others</i>	<i>Total</i>
Industrial	146	143	3	158
Non Industrial	100	100	0	112
<b>Total</b>	<b>246</b>	<b>243</b>	<b>3</b>	<b>270</b>

#### 5 Early Departure Costs

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

	Note	2008 £'000	2007 £'000
Costs met by the Department in respect of decisions made in 2007-08		-	-
<b>Operating Cost Statement</b>		-	-

## 6 Other Operating Costs

### Administration costs:

General administration expenses		364	544
Travel and subsistence		240	234

### Non-cash items:

(Profit)/Loss on disposal of fixed assets		3	-
Depreciation	8.1; 8.2	161	156
Impairment of fixed assets	8.1	2	9
Cost of capital	11	43	53
Notional costs	7	897	918
		<b>1,710</b>	<b>1,914</b>

### Programme expenditure:

Grant Payments			
Paid to applicants	EU element	1,118	1,261
	National element	1,208	795
Materials		2,538	2,390

### Non-cash items:

Profit on disposal of fixed assets		(5)	(124)
Depreciation	8.1	714	703
Impairment of fixed assets	8.1	188	13
Cost of capital	11	10,688	9,479
Total programme expenditure		16,449	14,517
Less capitalised costs	9	(915)	(1,079)
		<b>15,534</b>	<b>13,438</b>

The total of Grant Payments for 2007/08 included £17,489 paid to Public sector bodies (2006/07 £20,500).

Payments to Private sector recipients totalled £2,308,706 (2006/07 £2,035,500).



## 7 Notional Costs

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

	2008 £'000	2007 £'000
<b>Services provided by parent department:</b>		
Central Support	585	607
Compensation Claims	21	-
Accommodation	-	-
	<b>606</b>	<b>607</b>
<b>Other Notional Costs:</b>		
Provided by other Departments:		
Recruitment	2	3
Business Development Service	17	32
Govt Purchasing Agency	-	-
Accommodation - Outstations	104	103
- HQ	132	131
Library Services	1	-
Crown Solicitor fees/Dept Sol Office	10	15
AccountNI	8	7
NIAO audit fee	15	17
HRMS	1	2
PSMB	1	1
	<b>291</b>	<b>311</b>
<b>Total Notional Costs</b>	<b>897</b>	<b>918</b>

## 8 Fixed Assets

### 8.1 Fixed Assets

	Heritage Assets £'000	Land & Buildings £'000	Plant and Machinery £'000	Information Technology £'000	Assets under Construction £'000	Total £'000														
<b>Cost or Valuation</b>																				
At 1 April 2007	1,128	159,425	5,467	587	-	166,607														
Additions	1	-	379	78	-	458														
Disposals	-	(789)	(434)	(85)	-	(1,308)														
Reclassifications	-	-	-	-	-	-														
Revaluations	-	1,701	(153)	-	-	1,548														
Impairments	-	(328)	-	(9)	-	(337)														
Indexation	43	610	(28)	10	-	635														
<b>At 31 March 2008</b>	<b>1,172</b>	<b>160,619</b>	<b>5,231</b>	<b>581</b>	<b>-</b>	<b>167,603</b>														
<b>Depreciation</b>																				
At 1 April 2007	-	656	3,118	368	-	4,142														
Charge for year	-	241	473	111	-	825														
Disposals	-	-	(379)	(82)	-	(461)														
Revaluations	-	(99)	(159)	-	-	(258)														
Impairments	-	(140)	-	(6)	-	(146)														
Indexation	-	44	(16)	7	-	35														
<b>At 31 March 2008</b>	<b>-</b>	<b>702</b>	<b>3,037</b>	<b>398</b>	<b>-</b>	<b>4,137</b>														
<b>Net Book Value</b>																				
At 31 March 2008	<b>1,172</b>	<b>159,917</b>	<b>2,194</b>	<b>183</b>	<b>-</b>	<b>163,466</b>														
At 31 March 2007	<b>1,128</b>	<b>158,769</b>	<b>2,349</b>	<b>219</b>	<b>-</b>	<b>162,465</b>														
Asset - Financing	-	-	-	-	-	-														
- Owned	1,172	159,917	2,194	183	-	163,466														
<b>Net Book Value at 31 March 2008</b>	<b>1,172</b>	<b>159,917</b>	<b>2,194</b>	<b>183</b>	<b>-</b>	<b>163,466</b>														
<table border="1"> <thead> <tr> <th></th> <th></th> <th>2008 £'000</th> <th>2007 £'000</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Depreciation Charge</td> <td>Administration</td> <td>111</td> <td>109</td> </tr> <tr> <td>Programme</td> <td>714</td> <td>703</td> </tr> <tr> <td></td> <td><b>825</b></td> <td><b>812</b></td> </tr> </tbody> </table>									2008 £'000	2007 £'000	Depreciation Charge	Administration	111	109	Programme	714	703		<b>825</b>	<b>812</b>
		2008 £'000	2007 £'000																	
Depreciation Charge	Administration	111	109																	
	Programme	714	703																	
		<b>825</b>	<b>812</b>																	

## 8.2 Intangible Fixed Assets

	Land Rights £'000	Software Licences £'000	Total £'000
<b>Cost or Valuation</b>			
At 1 April 2007	212	346	558
Additions	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
Revaluations	-	-	-
Impairments	-	-	-
Indexation	-	13	13
<b>At 31 March 2008</b>	<b>212</b>	<b>359</b>	<b>571</b>
<b>Amortisation</b>			
At 1 April 2007	-	111	111
Charge for year	-	50	50
Disposals	-	-	-
Reclassifications	-	-	-
Revaluations	-	-	-
Impairments	-	-	-
Indexation	-	6	6
<b>At 31 March 2008</b>	<b>-</b>	<b>167</b>	<b>167</b>
<b>Net Book Value</b>			
<b>At 31 March 2008</b>	<b>212</b>	<b>192</b>	<b>404</b>
<b>At 31 March 2007</b>	<b>212</b>	<b>235</b>	<b>447</b>

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

## 8.3 Donated assets

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

## 9 Growing Timber

	Note	2008 £'000	2007 £'000
Value at 31 March 2007		<b>142,050</b>	<b>136,050</b>
Additions			
Salaries and wages	4.1	1,074	1,357
Other costs	6	915	1,079
		<b>1,989</b>	<b>2,436</b>
Transferred to stock (Cost of Sales)		(2,384)	(2,186)
Revaluation adjustment		3,191	5,750
Value at 31 March 2008		<b>144,846</b>	<b>142,050</b>

## 10 Stocks and work in progress

Stocks	357	380
--------	-----	-----

## 11 Interest on Capital Employed

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

Administration Programme	43	53
	10,688	9,479
	<b>10,731</b>	<b>9,532</b>

## 12 Debtors

### (a) Analysis by type

#### Amounts falling due within one year:

Trade debtors	1,640	1,408
Other debtors	(52)	(32)
Amounts due from Rural Payments Agency (RPA)	150	100
EU Grant Debtor	251	106
Prepayments and accrued income	140	78
	<b>2,129</b>	<b>1,660</b>
Amounts falling due after more than one year:	-	-
	<b>2,129</b>	<b>1,660</b>



	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>(b) Intra-Government Balances</b>		
Intra-government balances	150	100
Balances with bodies external to government	1,979	1,560
<b>Total Debtors</b>	<b>2,129</b>	<b>1,660</b>

### 13 Cash at bank and in hand

Balance at 1 April 2007	40	49
Net change in account balances	-	(9)
<b>Balance at 31 March 2008</b>	<b>40</b>	<b>40</b>
The following balances as at 31 March are:		
Imprest accounts	39	39
Cash in hand	-	-
Cash floats	1	1
<b>Balance at 31 March 2008</b>	<b>40</b>	<b>40</b>

### 14 Creditors

#### (a) Analysis by type

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

Other taxation and social security	28	85
Trade creditors	278	418
Other creditors	155	233
EU Grant Creditors	131	153
Accruals and deferred income	886	685
Consolidated Funds extra receipts due to be paid to the consolidated fund	28	9
	<b>1,506</b>	<b>1,583</b>

#### (b) Intra-Government Balances

Intra-government balances	56	94
Balances with bodies external to government	1,450	1,489
<b>Total Creditors</b>	<b>1,506</b>	<b>1,583</b>

## 15 Grant commitments

Grants for the management of existing woodlands are payable annually in arrears, so long as specific objectives and criteria are met. Commitments to future payments in respect of approved plans are estimated to be £10.1m at 31st March 2008 (2006/07 £9.3m).

## 16 Provisions for liabilities and charges

	Early Departure Costs £'000	Legal Claims £'000	Total £'000
Balance at 1 April 2007	36	132	168
Provided in the year	-	110	110
Provisions not required written back	(2)	(132)	(134)
Provisions utilised in the year	(4)	-	(4)
<b>Balance at 31 March 2008</b>	<b>30</b>	<b>110</b>	<b>140</b>

### Early Departure Costs

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

### Legal Claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated. The legal claims and other provisions are provided for at the full assessed amount in each case. Expenditure is likely to be incurred over a period of 5 years. The provision is based on the estimated cash flows discounted by the Treasury discount rate of 3.5% in real terms. During the year responsibility for industrial injury provision moved from the Agency to DARD Personnel. A figure of £132k was released from the 2006-07 closing balance to reflect this. No reimbursement will be received in respect of any of these claims.

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

## 17 Reconciliation of Movements in Reserves and Government Funds

<b>EU Grant Fund</b>	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>
Balance as at 1 April 2007	560	507
Revaluations in year	43	53
Transfer of realised elements to General Fund	-	-
<b>Balance as at 31 March 2008</b>	<b>603</b>	<b>560</b>

<b>General Fund</b>	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April 2007		<b>67,261</b>	<b>67,561</b>
Net vote funding in year	18c	3,055	3,552
Net operating cost		(15,983)	(14,599)
Transfer of realised elements to General Fund		1,245	297
Notional costs		897	918
Interest on capital		10,731	9,532
<b>Balance as at 31 March 2008</b>		<b>67,206</b>	<b>67,261</b>

<b>Revaluation Reserve</b>	<b>Fixed Assets</b>	<b>Growing Timber</b>	<b>Intangibles</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Total</b>	<b>Total</b>
				<b>£'000</b>	<b>£'000</b>
Balance as at 1 April 2007	99,008	138,329	133	237,470	201,255
Opening balance adjustment	-	-	-	-	-
Revaluations in year	2,364	3,191	7	5,562	36,512
Transfer of realised elements to General Fund	(1,191)	-	(54)	(1,245)	(297)
<b>Balance as at 31 March 2008</b>	<b>100,181</b>	<b>141,520</b>	<b>86</b>	<b>241,787</b>	<b>237,470</b>

## 18 Notes to the Cash Flow Statement

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

	Note	2008 £'000	2007 £'000
Net operating cost		(15,983)	(14,599)
<b>Adjustment for non cash transactions</b>			
Depreciation	8.1, 8.2	875	859
Cost of Capital	6	10,731	9,532
Profit/loss on disposal of assets	6	(2)	(124)
Impairments	8.1, 8.2	190	22
Provisions provided in year	16	(24)	158
Notional Costs	7	897	918
		(3,316)	(3,234)
<b>Adjustments for movements in working capital</b>			
Decrease in stock	10	23	18
Increase in debtors	12	(468)	(584)
Increase/(Decrease) in creditors	14	(77)	731
Use of provisions	16	(4)	(6)
<b>Net cash outflow from operating activities</b>		<b>(3,842)</b>	<b>(3,075)</b>

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

Purchase of tangible fixed assets	8.1	(458)	(525)
Purchase of intangible fixed assets	8.2	-	(7)
Net capitalised timber costs	9	396	(250)
Proceeds from disposal of fixed assets		849	296
<b>Net cash outflow from investing activities</b>		<b>787</b>	<b>(486)</b>

### (c) Analysis of financing

Gross cash inflow from financing		12,474	12,120
Receipts	2	(9,419)	(8,568)
<b>Net cash inflow from financing</b>		<b>3,055</b>	<b>3,552</b>



## 19 Capital Commitments

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

	<b>2008</b>	<b>Restated</b>
	<b>£'000</b>	<b>2007</b>
		<b>£'000</b>
Contracted	47	1

## 20 Commitments under leases

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

<b>Land and buildings</b>		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	-	-

## 21 Contingent liabilities disclosed under FRS 12

Due to the serious prejudice that would be caused to the Agency's position in relation to disputes with other parties, full disclosure of its contingent liabilities is not possible. At 31st March 2008, we estimate our contingent liabilities to be in the region of £18,000. (31st March 2007: £17,000).

## 22 Related party transactions

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

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

In addition, the Forest Service has had a small number of transactions with other Government Departments and other central government bodies including the Central Procurement Directorate, and Business Development Service.

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

## 23 Losses and Special Payments

### Losses

There were forest fires throughout Northern Ireland in April 2007 which resulted in losses of £162,798.

	2008 £'000	Number of cases	2007 £'000	Number of cases
Forest Fires	163	16	247	13
Others	11	5	14	8
	174	21	261	21

## 24 Post Balance sheet events

Since the balance sheet date, the former Minister for Finance and Personnel announced measures to address equal pay issues in the Northern Ireland Civil Service. This is likely to involve the payment of back pay in excess of £100m to some 9,000 civil servants across Northern Ireland Civil Service Departments and their agencies. Details of the final settlement will be progressed over the coming months and an exact figure will not be available until this process has concluded.

**The date of authorisation for issue by the Agency's Chief Executive is 23 June 2008.**



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