

# Great Britain and England

## Annual Report and Accounts 2004-2005



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## **AIMS AND OBJECTIVES**

The Forestry Commission's aim is the sustainable management of our existing woods and forests, and a steady expansion of tree cover to increase the many, diverse benefits that forests provide to meet the needs of present and future generations. Through its powers and duties set out in the various Acts, the objective of the Forestry Commission for its Great Britain activities is:

- on behalf of all three administrations, to take the lead in the development and promotion of sustainable forest management and to support its achievement nationally.

In England, it aims to implement the programmes of the England Forestry Strategy the objectives of which are:

- to increase the contribution of forests and woodlands to local economies and rural development (Forestry for Rural Development Programme);
- to expand the role of woodlands in supporting the economic regeneration of former industrial land and disadvantaged communities (Forestry for Economic Regeneration Programme);
- to promote public access to woods and forests and develop diverse recreational opportunities (Forestry for Access, Recreation and Tourism Programme); and
- to conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands (Forestry for the Environment and Conservation Programme).

The Forestry Commission also aims to be an organisation which values:

**Teamwork** - Working as teams with colleagues and others to ensure that trees, woods and forests meet the needs of people in each part of Britain.

**Professionalism** - Enjoying and taking pride in our work, achieving high standards of quality, efficiency and sustainability.

**Respect** - Treating one another with consideration and trust, and recognising each person's contribution.

**Communication** - Being open, honest and straightforward with colleagues and others, as willing to listen as to tell.

**Learning** - Always learning, from outside the Forestry Commission as well as from within.

**Creativity** - Not being afraid to try new ways of doing things.

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# Foreword by the Rt Hon Lord Clark of Windermere, Chairman

Looking back over my diary of forestry engagements over the past year, I was reminded of how woods and forests can provide a wide range of benefits for people.

For example, at the beginning of the year I took colleagues from the House of Lords to the Whinlatter Forest Park in Cumbria. As a local resident, I always enjoy sharing my enthusiasm for the beauty of the Lake District. A particular highlight has been the opportunity to see the ospreys which nest in the forest overlooking Lake Bassenthwaite. So that more people can enjoy this without disturbing the birds, the Forestry Commission helped to set up the Lake District Osprey Project which provides both an open air viewpoint and indoor exhibition with live video pictures from cameras overlooking the osprey nest.

In July, I assisted in the launch of a 'London Trees and Woodland Framework' consultation document. This is an exciting initiative which aims to help regenerate areas of London which are lacking in green space. Whenever possible, tree planting will be carried out with the involvement of local people. This is just one example of many across the country where involvement in the planting and management of wooded areas can help to bind communities together and create an environmental focus for education and improvement in the quality of life.

Later in the year, we passed another milestone in urban forestry in England when we celebrated one million trees planted in Warrington, soon to be followed by two million in St Helens! These urban wooded areas do so much to enhance the quality of life of the local residents.

At the end of the year, I participated in a well-attended conference in Westminster on 'Health and the Countryside'. Research has shown that 'green exercise' has a very positive effect on health. In addition to the expected benefits of fitness, outdoor exercise can help reduce stress levels and boost morale. As manager of the public's forests, the Forestry Commission is able to help turn this research into reality, and so we have launched a nationwide campaign 'Active Woods – Naturally Good for You'.

People's awareness and appreciation of the benefits to be gained from woods and forests continues to grow, and I am pleased to say that much of this public interest has been generated by the good work carried out by the Forestry Commission in promoting and developing woodland activities and initiatives. And there's more to come!



# Introduction by Tim Rollinson, Director General

The introduction by the Director General is a time to reflect on the events of the year and to record some of our main achievements.

The UK has an international reputation as a leader in the development of sustainable forestry and the Forestry Commission has continued to play a lead role on the world stage. As Director General, I am Chair of the Standing Committee on Commonwealth Forestry. The latest Conference took place in February in Sri Lanka with the theme 'Forestry's Contribution for Poverty Reduction'. It was a great success. We learned about some real success stories in the role that forests can play in fighting poverty. It was also a humbling experience, taking place just two months after the devastation caused by the Indian Ocean Tsunami which claimed the lives of some 30,000 Sri Lankans. We can only admire the determination of the Sri Lankan people to rebuild their country and to resume 'business as usual'.

The Forestry Commission has also been playing a lead role in the Global Partnership on Forest Landscape Restoration. The Partnership brings together governments and international organisations that are working to restore forests to parts of the world where they have been lost or heavily degraded. We are a founder partner and are using the Partnership as a model of how we can share knowledge and experience and link policy with practice internationally. We have also been taking a lead role in the United Nations in negotiations on future international arrangements for forests. The UK has been pressing for strengthened arrangements to address global deforestation and the contribution that forests can make to meeting the Millennium Development Goals.

Closer to home, a key achievement for this year was the second certification of our public forest estate. This independent audit, to the demanding standards of the UK Woodland Assurance Standard (UKWAS), confirmed again that the public woods under our stewardship are being managed on a sustainable basis. The standards are tough. They are not just about planting enough trees to replace those that we harvest. They are about managing the whole forest environment. I would like to take this opportunity to thank our managers and staff whose drive and determination to manage our forests to the high standards required of us will ensure that future generations will be able to enjoy them as much as we do now.

This year we published the second edition of the UK Forestry Standard. Consultation and agreement on the Standard this time round was in marked contrast to the hot debate that surrounded the process of setting out the first standard for sustainable forestry six years ago! We also began the process of redeveloping our Forest Guidelines. These are the key building blocks of the UK standards and are now in need of modernising in order to be as relevant to forestry in the future as they have been in the past. We manage these processes in partnership with a range of stakeholders including industry, environmental interests, civil society and others. We greatly value the contribution they make which generates great international interest. We continue to receive fact-finding delegations and visitors from around the world, most recently from China, to learn from our experience.

# Introduction by Tim Rollinson, Director General

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Protecting the health of forests in Britain remains a priority for action. Two new pathogens, *Phytophthora ramorum* (the cause of the disease known as 'Sudden Oak Death' in the USA) and *Phytophthora kernoviae*, have been found on trees, mainly in Cornwall. Our Plant Health and Forest Research teams have been working with Government Departments and the Central Science Laboratory on the science and practicalities of reducing the risk to the nation's forests from these diseases. This is the most concerted effort since Dutch elm disease was introduced into Britain. There is still a long way to go, but there are now some encouraging signs that these efforts are paying off.

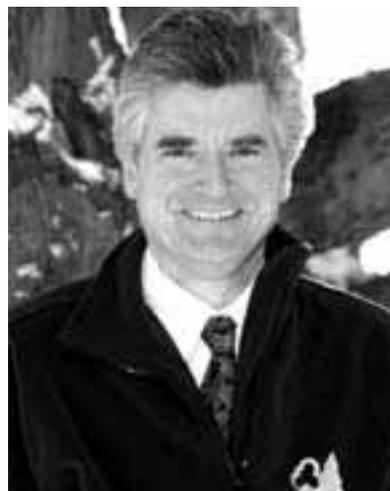
The year saw some better news on the industrial front with some upward movement in prices for growers and manufacturers, stronger demand feeding through from the construction sector, greater market share for timber frame construction and a further increase in the export of surplus pulpwood. 'Cautious optimism' is the best way of describing the recent trading conditions.

The emergence of the Confederation of Forest Industries (ConFor) as the new umbrella body for the UK forestry industry could well prove to be a major milestone in the development of the UK forestry sector. ConFor intends to focus on key agendas in market development and policy, which should strengthen the sector industrially and its influence politically. We want to see a strong and independent voice of industry and are working with ConFor in areas of mutual interest and opportunity.

We want to give the highest quality service to our customers and we continue to focus on

providing front-line services to the public. There is always room for improvement and advantages to be gained from developing technology. To this end, we have begun an internal business improvement programme focused on delivering continuous efficiencies to allow us to invest in front-line services and innovation. The programme draws on the work we carried out in partnership with the Tomorrow Project, which looked ahead to examine how well-fitted the Forestry Commission was to meet the future needs of society.

Like all organisations, the Forestry Commission is having to evolve and adapt ever-more quickly in an increasingly complex environment. The challenges this year have been considerable, and yet I continue to be impressed with the resolve of our staff to meet those challenges head on. As Director General, it gives me confidence in the future for forestry and the ability of the Forestry Commission to deliver through our most-important asset, our staff.



## (i) UK Activity

### FORESTRY STANDARDS AND CERTIFICATION

The UK Forestry Standard was first published in 1998 after extensive interdepartmental and public consultation. This quickly proved its value as the Government's basis for regulation, supporting sustainable forest management in the UK. It enabled forestry stakeholder groups, working together, to produce the UK Woodland Assurance Standard for independent forest certification in the UK the following year. This year we published a second, updated edition of the UK Forestry Standard and worked with the UK Woodland Assurance Standard stakeholders to revise the forest certification standard. We also embarked on a major three-year programme of consultation and revision to overhaul and update the suite of Forest Guidelines. A review of the many associated Forestry Commission forestry practice advisory publications that support both of the Standards will be initiated through this process.

### INDUSTRY DEVELOPMENT

The wider recognition of the sustainability credentials of wood is considered by the Forestry Commission and forest industries to be a key part of securing a market for wood products. This applies whether the wood is produced in the UK or imported. During the year we worked interdepartmentally and with the Timber Trade Federation on both the international problem of illegal logging and implementation of the Government policy on sustainable timber procurement. We continued to work with the Board of the Wood for Good Timber promotion programme. This programme aims to improve understanding in public and professional users about the environmental impacts of forestry, and to communicate technical information about getting the best use out of timber. We published timber statistics and price indices using data from sales of Forestry Commission timber and surveys carried out with the assistance of industry representatives from GB and Northern Ireland in the Forestry



# Great Britain Sustainable Forest Management

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Commission Expert Group on Timber and Trade Statistics. The statistics included information on the increasing number of mills that have chain-of-custody certificates to market wood certified to the UK Woodland Assurance Standard. To improve the competitiveness of UK grown wood we continued to support research on forest products. This included work on the life cycle assessment of timber in construction, projects to improve efficiency in the sawing and drying of timber, and new product development through innovation in the impregnation and engineering of wood to change its fundamental behaviour.

For many businesses in the sector, the hottest issue in market development was the possibility that the largest single new outlet for forest and sawmill production could be wood for heat and energy markets. In collaboration with the Department of Trade and Industry and with input from many parts of the sector, a woodfuel resource study has been published as an interactive web-based support tool. It estimates the annual sustainable production that can be made available, taking account of technical and environmental constraints. It goes some way to demonstrating that the availability of virgin material exceeds by a large margin the quantity already sold to the panelboard industries in the UK. However, the latter remain concerned about the impact that Renewables policies, and in particular Renewable Obligation Certificates, may have on the price for material that would otherwise be available to them.

## THE TIMBER MARKET

Due to the weather, the UK harvesting companies faced the worst summer working

conditions for decades. Despite this, the continued export market for pulpwood and the emergence of a UK softwood sawlog export market across the Irish Sea were a great boost to confidence among private growers. The volume sold in late 2003 and 2004 increased significantly, thus breaking the flat trend in production from the private sector over the last few years. This new confidence was not shaken by the severe gales in January 2005. While harvesting will have to be rescheduled in some forests in the north and west of GB, the UK escaped the catastrophic levels of wind damage that were experienced in southern Sweden and Latvia. However, the increased demand has not been associated with a significant change in round timber prices because of the continued generally low price level of internationally traded timber and the weaker than expected UK house construction market.

Hardwoods are mostly privately owned and, with the exception of better quality stands, import competition has caused a further reduction in hardwood felling from the already low level compared with potential.

The lack of price movement means that the problem of how to utilise small roundwood (softwood and hardwood) and lower quality logs in an economically viable way remains a problem to be resolved and a significant challenge. The emergence of woodfuel markets, while locally useful, has not yet had a significant impact on overall harvested volume.

In some areas, competent harvesting contractors are becoming a scarce resource. In the whole of the UK, the increasing costs of liability insurance has been a considerable extra

burden on contractors and some, especially the smallest companies, have left the industry. Some are undoubtedly working in the black economy (without insurance) but must be finding it increasingly difficult to find employment on forestry estates due to the impacts of forest certification, machine operator certification and chainsaw operator certification.

## **FOREST REPRODUCTIVE MATERIAL**

Forest reproductive material is the seeds, cones, cuttings and planting stock of 46 native and exotic tree species and the genus *Populus* which are marketed for multi-purpose forestry. The marketing of these species is controlled by the Forest Reproductive Material (Great Britain) Regulations 2002, which implement EU directive 1999/105. These regulations, which replaced the Forest Reproductive Material Regulations 1977, came into force in January 2003.

Work has continued during the year on bedding down the 2002 regulations. A new database has been designed and brought into use to modernise our administration of the regulations and to improve efficiency and data capture. This now contains the List of Suppliers, which encompasses the names of over 100 seed collectors, nurseries and plant traders. This database has also improved efficiency in the maintenance of the list of Basic Material (seed stands etc), the production of Master Certificates, carrying out inspection regimes and fulfilling our administrative requirement in relation to other Member States. Forestry Commission inspectors have visited a large number of these suppliers this year, and have also completed an annual round of Basic Material inspections, to ensure compliance with the regulations.

In addition, to encourage the collection of native trees and shrubs, the Forestry Commission operates a voluntary scheme for the certification of those species that are not covered by the regulations. The map of native seed zones introduced under the scheme has now become the industry standard for identifying seed collections from native species.

This year saw a continuing rise in the number of seed collections certified to over approximately 500. This reflects the increase in collections from native species.

## **(ii) International**

### **UNITED NATIONS FORUM ON FORESTS (UNFF)**

The UNFF provides an important focus to promote sustainable forest management globally and to implement existing commitments. The Forestry Commission led the UK delegation at the fourth session in Geneva in May 2004. After one week of sessions to exchange experience and lessons learned in promoting sustainable forest management, and one week of negotiations, resolutions were adopted on social and cultural aspects of forests, forest-related scientific knowledge, monitoring, assessment and reporting and criteria and indicators, finance and transfer of environmentally-sound technologies, and the review of the effectiveness of the international arrangement on forests. The UNFF will be reviewed at its fifth session in May 2005, with a decision taken on what the future international arrangements should be to promote the implementation of international commitments on forests. Discussions (both formal and informal) took place throughout the year on

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future international arrangements for forests. Within the UK, the Forestry Commission continued to work with others to develop a clear negotiating position within the EU to take forward to UNFF5, and Ministers endorsed the position in early 2005. The global discussions on the future international arrangements on forests included an experts' meeting in September 2004 at the United Nations Headquarters in New York and a further meeting hosted by the Government of Mexico in January 2005. Both meetings helped to develop options and a shared understanding of the key elements required for an effective arrangement on forests, and with the Director General Tim Rollinson co-chairing on both occasions, provided an opportunity for the UK to play a lead role in the preparations for UNFF5.

## **SECONDMENT TO UNFF SECRETARIAT**

In 2004-2005, David Henderson-Howat from the Forestry Commission was seconded as a consultant to the Secretariat of the United Nations Forum on Forests at UN HQ in New York. Tasks performed by the Secretariat include preparing for meetings, and preparing and disseminating documents and information, as well as servicing meetings of the UNFF and its Bureau. As part of his work, David undertook strategic analyses in preparation for the review of effectiveness of the international arrangement on forests.

## **UK FOREST PARTNERSHIP FOR ACTION**

The UK Forest Partnership for Action was created in the run-up to the 2002 World Summit on Sustainable Development to promote sustainable development across the forest sector. The Forestry Commission continued to support the Partnership by

providing the Secretariat, and arranging and chairing meetings, and is keen to continue this role and to look at ways of supporting initiatives that help deliver Government priorities. The Partnership has brought together key players from Government, business and environmental groups, helped them reach a shared understanding, and provided opportunities for joined-up working, not only in the separate priority areas, but also across the various issues. During the year, Partners undertook and published a stocktake of progress to highlight success stories, assess core activities and progress to demonstrate the added value of the Partnership. Given the relevance to certain areas of his responsibility (including global sustainability, procurement and illegal logging), Forestry Minister Elliot Morley was engaged with the Partnership and attended meetings.

## **MINISTERIAL CONFERENCE ON THE PROTECTION OF FORESTS IN EUROPE (MCPFE)**

The MCPFE Liaison Unit (secretariat) transferred from Austria (Vienna) to Poland (Warsaw) and held its first Expert Level Meeting in October 2004, focusing attention on the implementation to date of the MCPFE Work Programme.

In support of the work programme, the Forestry Commission participated in an ad hoc working group to develop the pan European understanding of the linkage between the ecosystem approach and sustainable forest management in Krakow, Poland in April 2004. The Forestry Commission, including representatives from Forestry Commission Scotland, took part in a workshop, held in Gdansk in November 2004, on exchanging

country experiences on implementation of national forest programmes in Europe.

## **UNECE Timber Committee and FAO European Forestry Commission**

The UNECE Timber Committee and the FAO European Forestry Commission held their Joint Session in Geneva in October 2004 and adopted a joint work programme resulting from the Strategic Review process carried out in 2003-04. Also resulting from the Strategic Review, the Joint Session took the decision to disband the UNECE/FAO/ILO Joint Committee on Technology Management and Training. The main session offered a policy forum to share views on:

- the long-term challenges for forest and timber policies and institutions in a wider Europe;
- forest law enforcement and governance in the UNECE region;
- the future role of the Timber Committee and the European Forestry Commission in the international forest policy dialogue; and
- forest products market developments, prospects and links between forest policy and market policy.

Despite delays in final publication until February 2005, the response to the draft conclusions for the European Forest Sector Outlook Studies (EFSOS) indicated a high degree of interest and the opportunity for significant debate at the national level.

## **17TH COMMONWEALTH FORESTRY CONFERENCE**

The 17th Commonwealth Forestry Conference took place in Colombo, Sri Lanka from 28 February to 5 March 2005 with the theme 'Forestry's Contribution to Poverty Reduction'. The Director General and International Policy staff worked closely with the hosts in its organisation in Sri Lanka. The Prime Minister of Sri Lanka opened the Conference and addressed delegates from over 30 countries. The thoughts of participants were with the people of Sri Lanka as the recovery effort continued following the devastating tsunami in December 2004. The conference took place at a time of increasing recognition that forestry has a crucial role in sustainable development, and calls were made for a balance between satisfying development needs and ensuring the sustainable use of natural resources. The Prime Minister emphasised the effects of inappropriate forest management on soil and water resources, and thus on agricultural productivity, and highlighted how removal of coastal trees had contributed to the destructive power of the tsunami. Within the Conference theme, workshop sessions were structured around four cross-cutting topics: the Changing World, Governance, Forest Goods and Services, and Stakeholders, to capture and share experiences and perspectives from around the Commonwealth. From presentations and subsequent discussions, key issues emerged that formed the basis of the Conference resolutions.

## **17TH SESSION OF THE FAO COMMITTEE ON FORESTRY AND MINISTERIAL MEETING ON FORESTS**

The Forestry Minister, Elliot Morley, co-chaired the Ministerial meeting on forests at the FAO

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headquarters in Rome. Over 40 Ministers addressed international co-operation on forest fire management, maintaining international commitment to sustainable forest management, and FAO's work in rehabilitation and reconstruction of countries and communities affected by the tsunami. The meeting agreed a Ministerial statement on forests that addressed these three key issues and underlined the critical importance of forests.

Following the Ministerial meeting, over 600 participants from governments (UK was represented by the Forestry Commission and the Department for International Development), intergovernmental organisations and non-governmental organisations met to address issues relating to the 2005 State of the World's Forests report, the work of the Regional Forestry Commissions, needs and opportunities for international co-operation in forest fire preparedness, the role of forests in contributing to the Millennium Development Goals, the World Forestry Congress and FAO's action programme on forestry. Over 20 side events provided an opportunity to discuss a wide range of topics including forests and conflict, the role of civil society in implementing national forest programmes, international co-operation on forest fires, forests and climate change, forest law and compliance, bioenergy and the European Forest Sector Outlook Study.

## **EUROPEAN FOREST INSTITUTE (EFI)**

The EFI was established in 1993 to provide a forest research and information resource to meet the needs of a rapidly changing Europe. As part of a wider strategy to improve the contribution of the Institute to international

forest research, EFI was established as an international organisation with the signing of the Convention on the European Forest Institute in August 2003. As a signatory, the UK continued to follow the necessary steps towards ratification of the Convention.

## **EUROPEAN UNION**

In July 2004 The European Commission published the first draft proposal for a Council Regulation on support for rural development. A second draft was published in January 2005, and the EU Commission expects to adopt the 'draft regulation' in June 2005. The Forestry Commission welcomes the move to better integrate forestry into rural development policies and continues to work closely with Defra and the devolved administrations to develop UK negotiating lines and address outstanding concerns.

The European Commission conducted an extensive Internet-based consultation and a consultation with Member States and stakeholders to review the implementation of the 1998 EU Forestry Strategy. The conclusions and emerging proposals for a future Strategy were communicated to the European Council and the European Parliament in March 2005. The EU Commission proposes the way forward for any future Strategy to be an EU Action Plan for SFM and expects to present the Plan in 2006. The Forestry Commission, in consultation with the devolved administrations, will continue to participate in the discussions and proposals to develop an Action Plan through its role in the EU Standing Forestry Committee and the EU Council Working Group on Forests.

The Forestry Commission spent £11.2 million on research in 2004-05 to support sustainable forest management in Great Britain.

The research ranged from development and improvement of working methods to strategic scientific investigations of such issues as climate change and forest hydrology.

The research budget also provided for activities undertaken to transfer the results of the research to end-users, including forestry practitioners, policy-makers and other members of the scientific community.

The bulk of expenditure (approximately £10.1 million) was with the Commission's own agency, Forest Research, which has presented a separate, detailed report on its activities to Parliament (HC786 ISBN 0 10 293634 X).

## **A SCIENCE AND INNOVATION STRATEGY FOR BRITISH FORESTRY**

A major achievement during the year was the preparation of a new Science and Innovation Strategy to implement the recommendation of the Forestry Devolution Review that 'new

*arrangements should be set up, with an enhanced role for the devolved administrations..... in determining research priorities and specifying programmes'.*

Development was under the direction of the Research Strategy Board and followed stakeholder consultations across the UK. Board membership includes the Chief Executive of the Northern Ireland Forest Service, giving UK relevance to the new Strategy.

Although there were differences in style and emphasis in the recommendations arising from the consultations carried out in the four countries, they were characterised by a very high measure of agreement on key elements such as:

- a strong focus on the communication of research results and the transfer of knowledge;
- a holistic and landscape-scale approach to forestry research and, allied to this, a commitment to partnership in research;



- a drive to increase the amount and relevance of social and economic research; and
- recognition in forestry research of the importance of climate change as a cross-cutting topic for sustainable development.

In addition to climate change and social and economic research, the topics identified as strategic priorities for research were:

- soil and water management;
- forest products;
- changing silviculture; and
- biodiversity and habitat restoration.

The draft Strategy will be submitted for Ministerial approval during 2005.

## PROTECTING FORESTS

Research to underpin the protection of woodland against pests and diseases continued to be a key feature of our expenditure. A long-running study on the impacts of a common forest pest, green spruce aphid (*Elatobium abietinum*), entered the data analysis phase. The research has already started to produce insights into the behaviour of such pests that will prove invaluable in assessing threats in a changing climate and changing methods of forest management.

Another well-known insect pest, *Hylobius abietis*, a weevil which attacks and kills young trees on replanted sites, was also the subject of continuing research. This reflects a long-term commitment by scientists in Forest Research to understand the risks attached to

the complicated population dynamics of this insect. The objective is to develop integrated management systems that will minimise pesticide use. Progress during the year included publication of an Information Note 'Managing the threat to restocking posed by the large pine weevil, *Hylobius abietis*: The importance of time of felling of spruce stands'.

Work on pests and diseases was dominated by the investigation of outbreaks in southern England of two tree pathogens, *Phytophthora ramorum*, and the provisionally named *Phytophthora kernoviae*. These are fully reported in (reference to section on Plant Health). Advice and support by research scientists from Forest Research, the Central Scientific Laboratory and the Scottish Agricultural Science Agency has been crucial to the containment of the new diseases. The scientific basis for the assessment and management of the risks posed by the other organisms dealt with in (ref to section on Plant Health) was also provided by the pathologists and entomologists in Forest Research as part of our research expenditure.

## WOOD UTILISATION

A major project milestone was reached by Forest Research this year in felling and analysing the timber characteristics and grading and drying performance of 36 year old trees from a research trial that had used genetically improved families. This was the first opportunity to check the impact on timber performance of trees produced through the Sitka spruce tree breeding programme and grown to normal rotation age. The researchers were able to document a full range of tree and log characteristics on site and then go through to conversion and grading at a softwood

sawmill to determine actual yield and grade. The measurements will feed back into the timber-modelling project through which Forest Research will be able to simulate impacts of silviculture and genetics on timber properties and product potential. Initial indications are that the improved families of Sitka spruce significantly improved product consistency, sawmill efficiency and yield of construction grade sawn timber.

Our research has supported the Government's Sustainable Construction agenda, particularly through closer working with the UK Timber Frame Association and involving the expertise of the Centre for Timber Technology and Construction at the Building Research Establishment (BRE). Two projects were initiated through this industrial collaboration. The first was to develop data collection software to enable individual companies to log business information on the consistency and format required to generate Life Cycle Assessment of processes and environmental information for product declarations. This advance will allow realisation of the benefits from the studies of integrated woodchain Life Cycle Assessment carried out in recent years by the Forestry Commission and woodchain industries. The second project, which involves several industrial partners, directly addresses cost and quality issues in site management on housing development sites adopting timber frame systems. The study should result in new best practice guidance as a BRE Digest in 2005.

## **PROTECTING BIODIVERSITY**

The protection and enhancement of biological diversity in forests has long been thought to promote robust woodland ecosystems.

Grazing is one of the many factors that may influence this: over-grazing has a major adverse impact on the natural regeneration of native tree species and herb layer, yet low levels of grazing promote species diversity. An approach to assessing when grazing is becoming a threat in upland woodlands has been developed by Forest Research. The methodology will be used by Defra, English Nature and the Forestry Commission in assessments of woodlands considered to be at risk by stock presence. Deer are responsible for considerable grazing damage, not least because they selectively graze certain species, resulting in a modified woodland community. During the year a number of methods of assessing deer damage were developed by Forest Research and will be tested for their potential to enable managers to derive standardised measures of impacts.

Incorporating the likely effects of climate change recommendations for protecting biodiversity is vital to the long term resilience of woodland ecosystems. Developing the scientific basis for such recommendations presents many challenges and, during the year, we initiated a forward look of research in landscape ecology and genetic conservation to address the threats and opportunities presented by climate change. Some research results have already been utilised, for example the guidance for planting stock of local provenance has been revised to include recommendations that planting stock should have sufficient genetic variability to respond to climate change and to regenerate successfully in future generations.

Changes to the landscape around forests have implications for the resilience of some species

associated with woodland ecosystems – as changes in woodland cover and structure affect many non-woodland species. Accordingly, country Biodiversity Strategies emphasise the need for a landscape-scale approach and this has continued to be a major strand of our research. We have funded two new PhD studies with this in mind. One is aimed at improving our understanding of how spatial configuration of woodland patches can influence the resilience of woodland communities. Although linking woodland fragments with new woodland to prevent attrition of woodland biodiversity has a strong theoretical basis, little supporting empirical evidence is available. The research planned will help to address the gap. The other study, which we have co-funded with English Nature, focuses on the role of dispersal in landscape-scale processes, using a group of rare wood-inhabiting fungi that have been in serious decline. By developing knowledge about dispersal and ecology, this study will provide information to assist in the conservation and management of these endangered species.

During the year, we joined the partnership supporting the UK Butterfly Monitoring Scheme, a three-year project undertaken by Butterfly Conservation and the Centre for Ecology and Hydrology. Because of their rapid life cycles and sensitivity to environmental conditions, butterflies have been identified as indicators of environmental health and the progress of measures to conserve biodiversity. The results of the scheme will help us understand the role of forestry policies and practices on the ecology of these important and beautiful insects.

## **FORESTS AND THE ENVIRONMENT**

The importance of understanding the relationships between forests and water has been underlined by implementation of the Water Framework Directive and major policy initiatives on sustainable flood management. Hydrologists in Forest Research were heavily involved throughout the year in advising the Forestry Commission and other parts of Government on the scientific evidence underlying several aspects of policy and regulation relating to land management and the water environment. Some of these issues were covered in an Information Note, 'Water Use by Trees', which has made a particularly valuable contribution to the transfer of knowledge in this complicated area. Forest Research developed a new model for assessing the effect of floodplain woodland on retention of floodwater and continued development of models to simulate run-off from forested catchments. We joined in co-funding part of a major partnership project, managed by the Flood Risk Management Research Consortium, to investigate the role of land use and management, including woodland establishment, in managing flood risks.

The effect on the environment of increasing levels of ozone in the atmosphere has been a long-standing cause of concern and a focus of research by the UK and other countries. Our research, and that of others, on the effects on the UK's woodlands has been discussed in a recent Information Note. It summarises the recent changes in ozone concentrations, identifies damage symptoms, and discusses current monitoring of damage to common British woodland species.

Investigation of the potential for tree establishment and growth on 'brownfield' sites has been a major element of our research into soil quality for several years, and will continue through a number of recently formed partnership projects. A noteworthy advance made during the year was in the evaluation of a portable X-ray fluorescence system for detecting heavy metals in contaminated former industrial land. The technique shows great promise as a rapid means of mapping the heavy metal burden, and thereby assessing necessary remediation measures, on sites where there is potential for woodland establishment.

## **SUSTAINABLE MANAGEMENT OF FORESTS**

For several years we have been interested in the best means to establish woodland by direct seeding, rather than planting seedlings grown in nurseries or relying on natural seeding. Although direct seeding offers many advantages, it is not a straightforward technique for forestry in the UK. We have therefore published a Practice Guide, 'Creating New Broadleaved Woodland by Direct Seeding', synthesising the results of research experiments conducted over the past five to ten years. It outlines the potential advantages, disadvantages and limitations of sowing seeds directly in their final position and gives detailed recommendations for ground preparation, seed pre-treatment, sowing and aftercare.

The majority of forests in Britain have traditionally been managed by clear-felling blocks of trees and replanting the sites after harvesting the timber. The wider adoption of alternative 'continuous cover' or 'low impact' management systems is now an important

part of forestry policies across the UK. Accordingly, the science and technology needed to achieve this in practice has been identified as a strategic priority in the 'Science and Innovation Strategy for British Forestry', prepared during 2004-05. Several different aspects of this research have been underway for some time, including studies of the critical role of light in successful growth of seedlings under partial shade of a woodland canopy. Results to date were summarised in an Information Note, 'Managing light to enable natural regeneration in British conifer forests'.

## **MAKING FORESTRY SAFER**

Innovation is a vital element of forestry practice as the industry responds to new social, economic and environmental drivers. Our research supports the achievement of innovation and of sustainable forest management and, to this end, we investigate new equipment and operating techniques to ensure that the safety and comfort of operators is not compromised. Much of the work undertaken recently has involved studies to maintain and improve operator health. Wherever possible we have collaborated with other organisations at home and abroad with the shared aim of providing practical solutions in advance of regulation. An important example has been a study, undertaken in partnership with the Health and Safety Executive, into exposure to Whole Body Vibration from operating forestry machines. This has made excellent progress in developing advice that will provide managers and operators with solutions on how to manage the risks from vibration exposure. The full results will be published during the summer. Related work started in 2004-05 on a European Union partnership project to develop best practice

guidance for machine operators. This is primarily targeted at improving health management through the ergonomic design of machinery, identifying improved techniques for working and planning work.

Our commitments to investigating alternatives to chemical pesticides and to minimising use when there is no practicable alternative have linked research on operator and environmental safety. We have undertaken trials to evaluate non-chemical solutions for weed control during establishment, normally a major component of pesticide use in forestry. Alongside these we have set up studies to underpin best practice by ensuring accuracy in the calibration of spray devices and application of chemicals.

## **SOCIAL AND ECONOMIC RESEARCH**

The Forestry Commission has continued to develop its capacity in social science, within Forest Research and through collaboration with other agencies and research providers throughout the UK. Surveys of the public opinion of forestry were carried out in March 2005, continuing a biennial series to monitor public attitudes and awareness.

The start of a multi-agency project, led by the Commission, on the health benefits of countryside use was reported last year. It concluded with a conference in Westminster in February 2005 that was attended by senior figures from health and countryside organisations. The outcomes included a concordat between The Countryside Agency, English Nature, Sport England, the Association of National Park Authorities and the Forestry Commission England to collaborate to promote the use of the countryside for health.

A contract to develop a method of researching the economic benefits of such promotion was awarded in March. We expect to report further developments in this area in future years.

As well as providing social science expertise to three major European multi-disciplinary forestry projects, we supported the participation of social scientists from Forest Research in three actions under the European programme 'Co-operation in Science and Technology' (COST):

- Action E30 - 'Economic integration of urban consumers demand and rural forestry production';
- Action E33 - 'Forests for Recreation and Nature Tourism' (FORREC); and
- Action E39 - 'Forest for health and wellbeing'.

Action E39, which was developed by the Forestry Commission's research team in association with Scandinavian research institutes, held its first meeting during the year, hosted in Edinburgh by the Commission and the Scottish Executive. More than 23 countries are associated with the Action, which is one of the largest in the history of COST.

Demand for social science expertise to assist practice is growing rapidly, especially in the design of evaluative systems for social forestry but also to assist day-to-day management. Forest Research has been commissioned as an internal consultant by the Forestry Commission to advise how the requirements of recent Disability and Racial Equality legislation can be embedded in operational practice. Locally, Forest Research

has advised on systems of public engagement in the New Forest and undertaken a wide range of locally commissioned research including primary qualitative research on Peabody Trust housing estates in central London. In February, the social science team ran a training course for frontline forest managers on the use of social research methods in forest management. The course covered qualitative and quantitative approaches, contract management and the use of commercial research providers.

We are partners in two new CASE studentships awarded by the Economic and Social Research Council. One is based at Gloucestershire University where the student will research the contribution of forestry to rural development. The other is at Edinburgh

College of Art where the aim will be to explore the importance of aesthetics in determining the therapeutic value of forests and wooded landscapes.

The Commission continued to collaborate with The Countryside Agency to explore issues of access and diversity in the countryside, and jointly commissioned Lancaster University to explore how 'positive discourse' - ways of talking about a place - can be used strategically to overcome psychological barriers (such as fear of crime) to the use of the countryside.

## IMPORT INSPECTIONS OF SAWN WOOD

Over the year 1.2 million m<sup>3</sup> of sawn wood subject to quarantine control was imported (2003-04: 3.3 million) and 4,400 inspections were carried out (2003-04: 6,890). The decrease in the volume of controlled material entering the country and the number of inspections performed in the year were due to the enlargement of the EU on 1 May 2004. Only three incidents of non-compliance were detected in sawn timber consignments and wood packaging material. As in previous years, we again achieved our Charter Standard target of inspecting consignments on the day of notification of landing, or the next again working day at the latest, in over 99 per cent of cases.

Due to the effects of EU enlargement, we did not change our import inspection fees but continued to monitor our income against our target of full cost recovery to provide more accurate import data. This will help inform a review of our fees prior to revising them in the next financial year. The timber import trade will be consulted on these proposals, which will need to reflect changes in the fee structure set out in an amendment to Council Directive 2000/29/EC.

On 1 December 2004, the Forestry Commission increased physical inspections to cover all imports of Oak (*Quercus spp*), Oregon Maple (*Acer macrophyllum*) and Tanbark Oak (*Lithocarpus densiflorus*) originating in the USA as part of the measures against *Phytophthora ramorum* (the cause of the disease known as 'Sudden Oak Death' in the USA). No instances of the fungal pathogen were detected during these inspections.

## IMPLEMENTATION OF THE INTERNATIONAL STANDARD FOR WOOD PACKAGING MATERIAL

Following the adoption of an International Standard for a Phytosanitary Measure on the 'Guidelines for regulating wood packaging material in international trade' (ISPM15), a number of countries have implemented new import requirements, or have announced their intention to do so. The EU implemented its new measures on 1 March 2005. The new requirements will inevitably take some time to 'bed in', especially as many of the countries that export products to the EU have yet to put in place the necessary domestic provisions to ensure a supply of compliant wood packaging material. We have continued to play a



prominent role in a number of initiatives to promote global implementation of ISPM15, including participation at an international ISPM15 Implementation Workshop arranged by the Secretariat to the International Plant Protection Convention, held in Vancouver B.C. from 28 February to 4 March 2005. The Workshop was attended by 180 delegates from more than 80 countries.

### **EXPORT CERTIFICATION**

During the summer of 2004, we completed the task of identifying and contacting all of our customers to whom we believed a refund was due regarding charges which had been collected unlawfully. We have refunded a total of £11,720 and no further claims are anticipated. The Plant Health (Export Certification) (Forestry) (Great Britain) Order 2004 came into force on 28 July 2004 and enabled us to resume charging for this work on a statutory basis.

### **DENDROCTONUS MICANS**

We indicated last year that, following a public consultation exercise, we had undertaken to prepare a full cost appraisal of the two options proposed to manage *D. micans* in the future. The results were published on our website in June 2004 and showed that maintaining a protected zone was no longer cost-effective. We discussed this with key stakeholders and agreed to recommend that our protected zone and movement restrictions within GB be abandoned in favour of future management of the pest using the specific predator *Rhizophagus grandis*. Following endorsement of this recommendation by the forestry Ministers, we sought the agreement of the European Commission and the necessary amendment was adopted in December 2004

and was due to be implemented in May 2005. We plan to release the predator at a number of sites around the country where there has been no previous evidence of *D. micans* presence. Later, a catch and release trapping programme will be mounted to see if the predator has survived. This would indicate that *D. micans* had already reached the area and would mean that biological control would have begun.

### **PINE WOOD NEMATODE**

As part of the EU measures aimed at containing and eradicating the Pine Wood Nematode (*Bursaphelenchus xylophilus*) from an area of Portugal, we maintained a programme of surveys to detect the nematode in GB. Over 100 samples from trees, wood chips and imported sawn wood were analysed. No evidence of the pest was detected.

### **HORSE CHESTNUT LEAF MINER**

Since the first finding of *Cameraria ohridella* (Horse Chestnut Leaf Miner) in southwest London in June 2002, this defoliating pest has continued to spread throughout Greater London and other parts of southeast England. Leaf miners have also been found on horse chestnuts in Stratford-upon-Avon, Oxford and Cambridge. The spread and establishment of *C. ohridella* is of particular concern because once established, the moth appears always to maintain exceptionally high rates of infestation without any evidence of decline. In European towns and cities there has been no decrease in populations even after many years, and severe damage to horse chestnuts has occurred on an annual basis, greatly impairing the visual appearance of the trees.

There is no evidence from Europe that trees have died or shown a progressive decline in health as a direct consequence of attack by *C. ohridella*. However, it is possible that differences in climate or interactions with other pests and diseases might lead to greater impact on the Horse Chestnut in GB. Plant health controls against this pest are ineffective because of the way it can be spread long distances through the passive transport of adult moths or infested leaves in or on cars and other vehicles. Controls on planting material would have little effect as nursery stock is generally moved in the dormant season when leaves are not present.

### **GYPSY MOTH**

Working with Defra's Plant Health Division, and in collaboration with the Tree Health Division of Forest Research, we continued our monitoring programme in the London Borough of Redbridge where the Gypsy moth (*Lymantria dispar*) was first recorded in 1995. 73 pheromone traps were monitored during the flight season (July – September). For the first time since the programme was launched in 1995, no moths were trapped (2003-04: five). This may mean that the population, which was already at a very low level, has collapsed. A further survey will be mounted in the summer of 2005 before any conclusions are drawn. We are watching developments in Jersey where over 7,000 adult male moths were trapped in the summer of 2004. However, the female is flightless, and the risk of new spread into GB is not therefore as high as might otherwise be the case.

### **PHYTOPHTHORA RAMORUM**

We reported last year the finding of nine infected trees at three sites, and undertook to report this year on the results of a woodland survey we were in the process of completing at the end of March 2004. The survey, designed to establish whether *Phytophthora ramorum* was present in the wider woodland environment, consisted of inspections at 1,217 high-risk sites across England, Scotland and Wales: 395 sites in England, 512 sites in Scotland and 310 sites in Wales. A further 131 sites have been surveyed in the lower risk areas in England and Scotland giving an overall total of 1,348 survey sites. Sites were classified as either high risk or low risk based on climatic factors. A total of 335 samples were collected from symptomatic plants and sent to either Central Science Laboratory (CSL) in York or the Scottish Agricultural Science Agency (SASA) in Edinburgh for analysis. All samples tested were negative for *P. ramorum*. A second, more limited, survey was conducted in the late summer at 109 sites in England and Wales and again no evidence of infected trees or plants was detected. We will continue with a programme of surveys in the future.

We are pleased to report that at the parkland site in Sussex where the first infected tree was identified, no new infected trees or plants have been found since the tree was felled and destroyed. Re-growth of infected rhododendron has been treated and the site remains under regular surveillance. At the two historic garden sites in Cornwall where statutory action continues with a view to the eventual removal of all infected plant and tree material, a total of 12 infected trees have been found at one of the sites whilst at the

other there has been no new tree findings and just one, a holm oak (*Quercus ilex*), has leaf infection. It is expected that the control and eradication programmes at both locations will take some time to complete.

Management of the campaign against *P. ramorum* and now *P. kernoviae* is being overseen by a Phytophthora Programme Board, chaired by the head of Defra's Plant Health Division, and comprising representatives from that Division, Defra's Plant Health and Seeds Inspectorate, the Central Science Laboratory, Forest Research, the head of Plant Health for the Forestry Commission, the Scottish Executive and the head of the legal team that advises both Defra and the Forestry Commission. The Board met five times during the year and was supported by a number of subgroups covering field implementation, press and publicity, science and the operation in Cornwall. There is also an Industry Liaison Group with membership from the National Farmers Union, the Horticultural Trades Association, the Royal Horticultural Society, the National Trust, the Forest and Timber Trades Association and the Duchy Nurseries (representing Cornish growers' interests).

We supported Ben Bradshaw, the Minister in England with responsibility for Plant Health, at a meeting of interested parties organised by Defra in London in November 2004 where we discussed our national campaign. In the same month we also met local interested parties in Cornwall to present the results of our work there. A public meeting also took place in the New Forest in April 2004. Further meetings are planned in the coming year.

Nationally, by the end of the year, since the first finding in April 2002, a cumulative total of 501 outbreaks had been recorded across Great Britain with 208 sites under active statutory action. Almost all of these effected nurseries and garden centres are being managed by Defra and South East England Development Agency inspectors. We are pleased to report that, despite an increased level of inspection of these locations, as well as imports of plants from the continent by Defra's Plant Health and Seeds Inspectorate and SEERAD's Horticultural Inspectors, the number of findings shows a significant reduction. Forestry Commission Plant Health Inspectors also increased the level of inspection of imports of oak wood from the USA to 100 per cent in December. No evidence of *P. ramorum* was detected. Therefore, there is some evidence to suggest that our control strategy is beginning to have a positive effect against this disease.

During the year the EU's emergency measures were reviewed by the EC Standing Committee on Plant Health and changes were agreed to reflect new host plants and also to require Member States to take action to contain outbreaks and prevent their spread. These were promulgated in respect of forestry material in the Plant Health (Forestry) (*Phytophthora ramorum*) (Great Britain) Order 2004 (S.I. 2004 No. 3213), which came into force on 29 December and revoked the Plant Health (Forestry) (*Phytophthora ramorum*) (Great Britain) (No. 2) Order 2002 (S.I. 2002 No. 2589).

### PHYTOPHTHORA KERNOVIAE

We mentioned last year the discovery of a second and previously unrecorded *Phytophthora*, discovered in Cornwall while surveying for *P. ramorum*. We referred to it then as *Phytophthora taxon C. sp. nov* ('PtC') and later as *P. kernovii*. It was subsequently proposed to formally name it *P. kernoviae* (after the historic name for Cornwall – 'Kernow'). It is known to be distinct from *P. ramorum*, although its means of dispersal by water and rain splash or aerial misting, and its principal host *Rhododendron*, appear to be the same.

Surveys have shown there to be a discrete area near Redruth, Cornwall of about 5.5 square miles containing a number of infected woodland sites. Following a public meeting in the area in November 2004 where, with Defra officials, we outlined our plans to contain the disease with a view to its eventual eradication, we put in place a designated area prescribed in the Plant Health (*Phytophthora kernovii* Management Zone) (England) Order 2004 (S.I. 2004 No. 3367). This came into force on 21 December and prohibited the unauthorised removal out of the Zone of any host material, provided powers to close footpaths to prevent further spread of the disease, and gave powers to inspectors to enter premises and seize suspect material.

Two small but heavily infected woodlands were, with the owner's consent, designated as research sites where a number of studies were carried out to help our understanding of the epidemiology of the new pathogen and to monitor the effects of removal and destruction of all *rhododendron* and leaf litter on its survival. A second meeting with the main landowners in the area was held in

January where we discussed our plans to remove *rhododendron* from woodland areas in the Zone in order to starve the pathogen of its host. At the end of the year plans to run a pilot trial to 'ground truth' the work programme at one of the other infected sites were well advanced. This was considered necessary because of a number of unique features of the area, especially a high number of unmarked old mineshafts which pose operational difficulties.

A total of 40 trees have been found to be infected with *P. kernoviae* within the Zone. These include 34 beech (*Fagus sylvatica*), two English oak (*Quercus robur*), two tulip trees (*Liriodendron tulipifera*), one *Michalia* sp. and one *Magnolia* sp. In addition, at one of the historic gardens where action against *P. ramorum* is underway, a further two beech and one Chilean hazelnut (*Gevuina avellana*) have been infected with *P. kernoviae* and five holm oak (*Q. ilex*) infected with *P. ramorum* were also infected with *P. kernoviae*.

Elsewhere, outside Cornwall, infected *rhododendron* have been found at locations near Swansea in south Wales and at a nursery in Cheshire. All of the infected plants have been destroyed and the sites continue to be monitored. Within Cornwall, but outside the Management Zone, a small number of sites have been found to be infected. One of these, near Penzance, involves an area of around 70 hectares including 20 hectares of woodland. This was still under investigation at the end of the year and a complete survey of trees was still to be completed.

# Great Britain Forestry Commission Organisation and People

## THE BOARD OF FORESTRY COMMISSIONERS

The Board of Forestry Commissioners met in June, October and December 2004, and in March 2005.

They discussed a wide range of GB and international forestry issues, including forest research, health and safety, the Commission's strategy and governance, grants to the private sector, plant health, the Commission's Forest Holidays enterprise, climate change, the UK's role at the United Nations Forestry Forum, the Global Forest Resources Assessment, and the EU Rural Development Regulation. At each meeting, the Board also discussed country reports from the Commission's Directors in England, Scotland and Wales.

Papers for these meetings and further information on the Board of Commissioners are available on our Internet site:  
[www.forestry.gov.uk](http://www.forestry.gov.uk)

## THE EXECUTIVE BOARD

The main aim of the Executive Board (EB) is to assist the Director General and Country Directors in leading the Forestry Commission by setting policy on corporate matters and ensuring effective management.

The members are the Executive Commissioners (the Director General, who chairs, and the three Country Directors), the Chief Executive of Forest Research, and the Heads of Human Resources, Finance, and Corporate & Forestry Support.

The EB addressed a wide range of issues during the year including the development of GLADE, Forest Holidays, *P. ramorum* and *P. kernoviae*, Health and Safety, the Business Improvement Programme and delivery of shared services, open information issues, climate change, forestry research strategy and forestry grants.



# Great Britain Forestry Commission

## Organisation and People

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EB agendas, minutes and non-confidential papers are available on our Internet site [www.forestry.gov.uk](http://www.forestry.gov.uk)

### **THE FORESTRY COMMISSIONERS' ADVISORY PANEL (FCAP)**

The Panel continued to advise Forestry Commissioners on a wide range of issues throughout the year, including:

- delivery of the UK's international forestry commitments;
- higher education for forestry;
- development of new markets; and
- improving forestry sector communications.

In addition, the Panel devoted an entire meeting to a strategic workshop to consider the current and future purposes of the public forest estate. The aim of the day was to develop a view of the future, looking forward 10 years, to consider key national and international trends and to take a considered view of the issues that will be facing the Forestry Commission and other forest and woodland owners. The resultant report informed the Forestry Commissioners' discussions on the future strategic direction of the organisation.

Membership of the FCAP is noted in Appendix 3. Tricia Henton stepped down from Chairing the Panel following her appointment as Director of Environmental Protection for the Environment Agency.

### **REVIEW OF THE ADMINISTRATION OF GRANTS AND LICENCES**

Work continues rapidly on the development of new grant schemes for England (England Woodland Grant Scheme) and Wales (Better Woodlands for Wales), and the associated new IT system known as GLADE (Grants and Licences Administration Delivered Electronically). The aim of GLADE is to allow for the electronic exchange of grants and licence applications and grant claims between applicants and the Forestry Commission. This is expected to yield both financial and non-financial benefits to both applicants and Forestry Commission staff alike.

Close liaison and integration between the teams responsible for the grant schemes and the IT system is achieved through an overall Programme Steering Group. This management group has representatives from each of the countries to ensure delivery of country business requirements, with the Confederation of Forestry Industries representing the interests of the industry.

Delivery of the new IT system during 2005 will coincide with the launch of the new grant schemes in England and Wales. The existing Scottish Forestry Grant Scheme will also move onto the GLADE system during 2005.

The launch of the new country grant schemes and application process will include close liaison with the industry to help meet the changes in the processes and associated working practices. The work will be led by business change managers who have been appointed for the duration of the Programme. They will work with local managers, agents, applicants and other stakeholders to communicate and assist with the implementation of these changes.

### **REGULATORY REFORM ACTION PLAN**

The Forestry Commission is seeking some changes to the Forestry Acts through a Regulatory Reform Order under the Regulatory Reform Act. The scope of change that is possible under such a mechanism is very narrow. It is restricted to measures within the jurisdiction of the Westminster Parliament and only allows changes which remove burdens on third parties.

Therefore, the changes that are being sought are fairly minor but will, in one important area, extend the powers of the Commissioners to allow them to enter into Joint Ventures, form companies/trusts and appoint Directors. In addition, the opportunity is being sought to allow the commercial exploitation of Forest Research and remove the requirement to convict a person before serving him with a restocking notice and allow enforcement restocking action to be taken against lessees and licensees.

The consultation process for the Order closed in mid-May and it is hoped that the Order will be completed by the end of 2006.

### **BETTER REGULATION**

The Forestry Commission is committed to the principles of good regulation set out by the Government's Better Regulation Unit. The Forestry Commission regulates felling to prevent loss of tree cover, planting to ensure that schemes are environmentally sound, and plant health to protect trees against pathogens.

The Forestry Commission relies not only upon regulation but also on incentives and the promotion of best practice to reduce the need for regulation. Best practice is achieved

through the UK Forestry Standard which the Forestry Commission, along with the Department of Agriculture for Northern Ireland, introduced in 1998 and revised in 2004. When felling is proposed, licences are issued which require re-planting. The UK Forestry Standard is not legally enforceable and incentives are offered to achieve re-stocking to this Standard. Targeting of incentives through challenge funds minimises regulation.

In the financial year 2004-05, the Forestry Commission requested nine applicants to carry out Environmental Impact Assessments for new planting proposals. These represented 0.2 per cent of the total number of applications received.

### **SENIOR STAFF APPOINTMENTS**

Kim Lardge was appointed Director of Human Resources on 27 September 2004.

### **FORESTRY TRAINING SERVICES (FTS)**

FTS has a strategic role in providing learning, training and development opportunities for Forestry Commission staff and others in the forest industry. We have worked on several major projects during the year. For example:

- Freedom of Information. We trained staff from all Forestry Commission cost centres to manage questions arising from requests for information under the Freedom of Information Act (FOI), the Data Protection Act (DPA) and the Environmental Information Regulations (EIR);
- Capital Projects – Scotland. Training groups of specialists in Scotland to manage a programme of building and visitor centre renewal. Thinking imaginatively about the

# Great Britain Forestry Commission

## Organisation and People

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type of space and environment required then financially evaluating and project planning the process; and

- The Supply Chain. As part of the link between the tree in the wood and the final customer for the wood product, we trained 120 machine operators and mechanics to develop basic IT skills.

FTS works with others to develop and deliver best practice in the Forestry Commission and wider industry. We have four training centres and offer services in Scotland, England and Wales. FTS is customer focused and consequently delivers training events at locations chosen by our customers. We delivered 8,600 training days in 2004.

Developments in 2004-05 included:

### People Skills

We developed and/or refreshed several major events, for example;

- Taking Control: Making Effective Use of Your Time;
- Taking Control: Effective Customer Care;
- Taking Control: Managing the Pressures of Daily Life;
- Taking Control: Dealing with Situations More Effectively Using Assertiveness;
- Managing Your Career;
- Feedback and Coaching Skills; and
- Presenting with Confidence in the

Great Outdoors.

### Technical Operational Skills

We continue to be a centre of excellence in this area, developing the following new events:

- Electricity at Work; and
- An Introduction to the Management of Safety/Supervision.

We are also an approved centre for the delivery of S/NVQs in forestry. We are working closely with Lantra (Sector Skills Council) to develop and deliver modern apprenticeships in forestry and we are also developing a S/NVQ at level 4 in forestry.

## SAFETY, HEALTH AND THE ENVIRONMENT

### Policy

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

### Programmes

During the year, the Safety, Health & Environment team carried out a Health and Safety Recreation Audit in half of the Management Units in Scotland, England and Wales. The remaining Management Units will be visited in 2005-2006. The Audits looked at were:

- Recreational Site and Facility Inspections;
- Managing Events and Activities;
- Managing Big Events;

# GB Forestry Commission

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- Recreational Licences;
- Member of the Public Accident Reporting;
- School Visits; and
- Challenging Bike Areas and Other Challenging Areas.

### Accidents

The following figures set out the incidence of reportable accidents (those causing incapacity for more than three days) for all staff in 2004-05 and the preceding years. The overall decline in accident rates is encouraging and can partly be attributed to the higher profile afforded to health and safety in forest operations and in other parts of the Forestry Commission's undertaking.

Year	No of accidents per 100 employees
2004-05	0.94
2003-04	0.93
2002-03	1.01
2001-02	1.10
2000-01	1.66

### FOREST HOLIDAYS

The Forestry Commission continues to seek a private partner to modernise its Forest Holidays business through a public-private partnership. Forest Holidays operates throughout Great Britain and currently has three self-catering log cabin sites and 21 campsites, providing 141 self-catering units and over 5,000 touring pitches on five campsites.

# The Forestry Commission in England

## Introduction by Paul Hill-Tout, Director England

Our work continues to be guided by the 'England Forestry Strategy, a New Focus for England's Woodlands', which was published in 1998. At the heart of the Strategy are four interrelated programmes which articulate the role of woodlands and forestry in advancing the Government's wider social, economic and environmental policies:

- Forestry for Rural Development;
- Forestry for Economic Regeneration;
- Forestry for Recreation, Access and Tourism; and
- Forestry for Environment and Conservation.

This report reviews our continuing progress during the year to implement these programmes.

Our role as the lead delivery body for woodlands and forestry has been confirmed and broadened during the year. This has been reflected in the Rural Strategy 2004 and our increasing role in developing new urban green space in the Sustainable Communities Plan.

We are working to modernise and streamline arrangements with other bodies for the more efficient and effective delivery of policy objectives. Central to this approach will be the development of a close working partnership with the new 'Natural England' agency once it is formally established.

Demand for woodland grants, coupled with existing commitments, have been growing ahead of published budgets and programmes. In order to stabilise matters it was necessary

to close the Woodland Grant Scheme for new applications in June 2004. The replacement English Woodland Grant Scheme (EWGS) will be introduced in 2005 alongside the new Environmental Stewardship Schemes.

We remain committed to ensuring that delivery of the England Forestry Strategy is increasingly adapted to serve the distinctive needs of each part of the country. This work will be guided by Regional Forestry Frameworks developed by regional partnerships facilitated by the Forestry Commission. There are now five Regional Forestry Frameworks, with the remainder due for publication in 2005.

The continued evolution of our working arrangements, responding to the strategic urban and rural agendas led by Defra and the Office of the Deputy Prime Minister (ODPM), will ensure that we are well placed to deliver sustainable public benefits from woodlands within an integrated and devolved approach to land management.



## RURAL STRATEGY

The Rural Strategy 2004, published by Defra, set out the Government's rural policy priorities. For the first time, forestry is an explicit thread running through rural policy. Taken together, the England Forestry Strategy and Defra's Sustainable Farming and Food Strategy cover England's main land-uses, with key roles in sponsoring the forest industry, protecting our natural resources, and shaping the character of the countryside and its capacity to support sustainable development. The main implications for forestry in the Rural Strategy are:

- transfer of lead responsibility for strategic forestry policy in England to Defra so that forestry is considered as part of an integrated approach to delivering public benefits from land management;
- reinforcing and broadening the role of the Forestry Commission as the lead body for the delivery of forestry policy. This will help the Government focus its resources to better ensure that the vision of the England Forestry Strategy continues to be implemented effectively; and

- the Forestry Commission will become a close working partner of the new Natural England once it is formally established. The two organisations will align their delivery functions to provide greater benefits to people and the environment. The Forestry Commission will also work with Natural England to modernise and streamline organisational arrangements for more effective and efficient delivery of rural policy objectives.

We have been working closely with Defra on the 'Modernising Rural Delivery' Programme to implement the recommendations of the Rural Strategy. The main areas of work have been:

- **Legislation** - contributing to the draft Natural Environment and Rural Communities Bill which will, amongst other things, establish Natural England and enable its functions to be delegated between delivery bodies, including the Forestry Commission;
- **Rural Funding** - preparation to rationalize the large number of separate rural funding streams to a framework around three major funds. The Forestry Commission's EWGS



# England

## General Review

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would be part of one of these funds. Implementation will be completed by January 2007 when new funding arrangements under the new Rural Development Regulation are put in place; and

- **Natural England** - preparation for close collaborative working between Natural England and the Forestry Commission in England. This will be achieved by building on our current interactions with the organisations that will form Natural England. Areas for closer collaboration being considered include the alignment of delivery functions, seeking integrated approaches to land management, the establishment of "first stop shops", and sharing offices and specialist staff.

As part of this process we have reviewed and updated our Pathfinder Concordat with Defra that was agreed in 2002. The new concordat, which came into force on 25 April 2005, sets out a framework for the Forestry Commission in England and Defra to work together to develop and deliver forestry policy. It will guide relations between the two departments to ensure sufficient communication and co-ordination to enable each to discharge their respective responsibilities effectively and efficiently.

### **RURAL DEVELOPMENT NEGOTIATIONS**

In July 2004, the European Commission published the draft Council Regulation on Support for Rural Development from the

European Agriculture Fund for Rural Development for the period 2007-2013. We have been working closely with Defra during the negotiation period to ensure the Regulation supports the delivery of our objectives for forestry in England.

### **REGIONAL FORESTRY FRAMEWORKS**

During the year, Regional Forestry Frameworks have been published for a further four regions. In the South East 'Seeing the Wood for the Trees'<sup>1</sup> was launched on 19 October 2004, the West Midlands 'Growing our Future'<sup>2</sup> on 28 October 2004, the North East 'Trees, Woodlands, Forests ... and People'<sup>3</sup> on 14 March 2005 and the London 'Connecting Londoners with Trees and Woodlands - A Tree and Woodland Framework for London'<sup>4</sup> on 23 March 2005. Those for all the remaining regions (East Midlands, North West, South West and Yorkshire & The Humber) have been subject to consultation exercises during the year and final documents will be published by summer 2005.

These frameworks are regional expressions of the England Forestry Strategy and are prepared through an inclusive, Government-led, regional process in which the Forestry Commission plays a significant part. Their form satisfies the needs of the regional agenda, Government bodies and other key stakeholders, and each of those already published is different and distinctive.

# Sustaining England's Woodlands

We are continuing to initiate and develop actions that were identified in our response to the Sustaining England's Woodlands Review<sup>5</sup>, particularly in relation to:

- improving the evidence base;
- enhancing engagement with owners and managers;
- strengthening advocacy for woodlands and sustainable forest management;
- developing new and stronger partnerships; and
- using Forestry Commission resources more effectively.

## GRANT AID UNDER THE ENGLAND RURAL DEVELOPMENT PROGRAMME (ERDP)

The ERDP sets out the Government's support for agriculture, forestry and the rural economy over the period 2000-06. Forestry Commission support to the forestry sector includes the Woodland Grant Scheme (WGS), part of the ERDP, which provides incentives for people to create new woodlands and plan, manage and improve existing woods. Tables 1, 2, and 3 show the areas of woodland on which establishment or management grants were paid in 2004-05. Tables 2 and 3 also show trends over recent years. Overall grants totalling £19.9 million<sup>6</sup> were paid out under WGS in 2004-05, 52 per cent going to new planting and 48 per cent to support the management of existing woodland.



5. Sustaining England's Woodlands: Response of the Forestry Commission to the Steering Group Report. Forestry Commission, Cambridge, 2002. Available at: [www.forestry.gov.uk/pdf/sustainreviewpart1and2.pdf/\\$FILE/sustainreviewpart1and2.pdf](http://www.forestry.gov.uk/pdf/sustainreviewpart1and2.pdf/$FILE/sustainreviewpart1and2.pdf)

6. This figure relates to payments made during 2004/05 whereas the figures for grant commitment in the accompanying accounts refer to claims made during 2004/05.

# Sustaining England's Woodlands

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Faced with exceptional demand we closed the WGS in England to new applications with effect from 28 June 2004. The level of applications received, coupled with existing commitments, meant that the limits of funding available in 2004-05 had been reached. At the same time, progress on creation and management of woodlands under the ERDP at year five was running ahead of the schedule required to meet the total targets for the seven years of the programme. Immediately before the announcement, we met with representatives of landowners and the forestry industry to explain the position. Drawing upon this meeting, we wrote to all those who had applications for grant assistance in progress to explain how we would be working with them to manage existing business. We have also written to approximately 4,000 existing agreement holders to assure them their contracts will still be honoured or to clarify whether they intend to undertake previously approved work for which grants have not been claimed.

The closure of the WGS did not materially affect:

- grant offers already made;
  - landowners who had already applied for grants but had not yet had their applications approved by 28 June 2004;
  - restocking applications (under published transition arrangements to the English Woodland Grant Scheme); and
- any past Ministerial or Forestry Commission announcements on specific initiatives or programmes such as the National Forest, the South West Forest, JIGSAW or Forest Futures.

The announcement meant that the WGS was closed to new applications for any other woodland creation grants, woodland management grants and woodland improvement grants.

## **FELLING REGULATIONS**

We continue to exercise strict controls on felling and issued 1,438 felling licenses that were not linked to WGS plans, compared with 1,115 last year. These licenses covered 595,000 cubic metres, 65 per cent of which related to unconditional thinning and clear-felling operations. We also approved 1,488 WGS plans during the year. Licenses for thinning and felling operations on 25,460 hectares of woodland were granted in 909 of these approvals. These include 911 hectares of clear felling, 509 hectares of selective felling and 1,185 hectares of coppicing.

We received 182 reports of illegal felling from the public and, after checking our record of approved felling, we investigated 33 in more detail. This year we sought 11 prosecutions and have 22 serious cases still to be resolved. In 20 less serious cases, we issued formal warnings to those involved. During the year, 11 restocking notices were served following successful prosecutions.

Our Conservators continued to receive forest design plans from Forest Enterprise for proposed felling operations. These plans are subject to external consultation on the same

basis as private sector grant aid and felling licence applications. We now have approved plans covering more than 232,000 hectares, that is around 88 per cent of the public forest estate in England.

## **EIA (FORESTRY) REGULATION 1999**

During the year, we requested three Environmental Statements under the EIA (Forestry) Regulations 1999. Two related to deforestation applications and one was for afforestation.

## **MID-TERM REVIEW OF THE COMMON AGRICULTURAL POLICY (CAP) REVIEW**

We have been working closely with Defra to ensure that the implementation of the 2003 CAP reforms do not result in effects which may be contrary to the Government's objectives for forestry. In general woodland will not be covered by the Single Farm Payment (the exceptions being grazed woodlands and parkland) but cross-compliance rules will have some implications for the management of trees on farms. Woodland creation will still be an eligible use for set aside land. Any woodland established under the English Woodland Grant Scheme or in line with the Environmental

Impact Assessment (Forestry) (England and Wales) Regulations 1999 will be exempt from the cross-compliance requirement to maintain permanent pasture, as it will be considered an 'environmentally compatible' land use. The Forestry Act and the EIA (Forestry) Regulations 1999 have been included in the list of legislation to be reinforced by cross-compliance conditions.

## **FOREST ENTERPRISE**

Forest Enterprise, an executive agency of the Forestry Commission, manages the public forest estate. Its activities are noted in the programmes of the England Forestry Strategy to which they apply. It has also been set key performance targets and achievement against these is presented in Table 4.

All targets have been met or exceeded, except for the creation of new woodland in priority areas. This failure was due to the discovery of Great Crested Newts (*Triturus cristatus*) on one of the planting sites. Work on this site will be postponed until the impacts on this important species have been assessed and mitigated.

# England Forestry for Rural Development

Our Rural Development Programme covers forestry's role in the wider countryside, including its contribution to the rural economy. The programme focuses on the role of trees, woods and woodland businesses in the sustainable development of rural areas, and how both new and existing woodlands can be managed to deliver enhanced benefits to local economies. The use of wood for energy generation has continued to increase in importance. Our performance against the Spending Review 2002 Service Delivery Agreement targets is shown in Table 5. Key achievements during the year are described below.

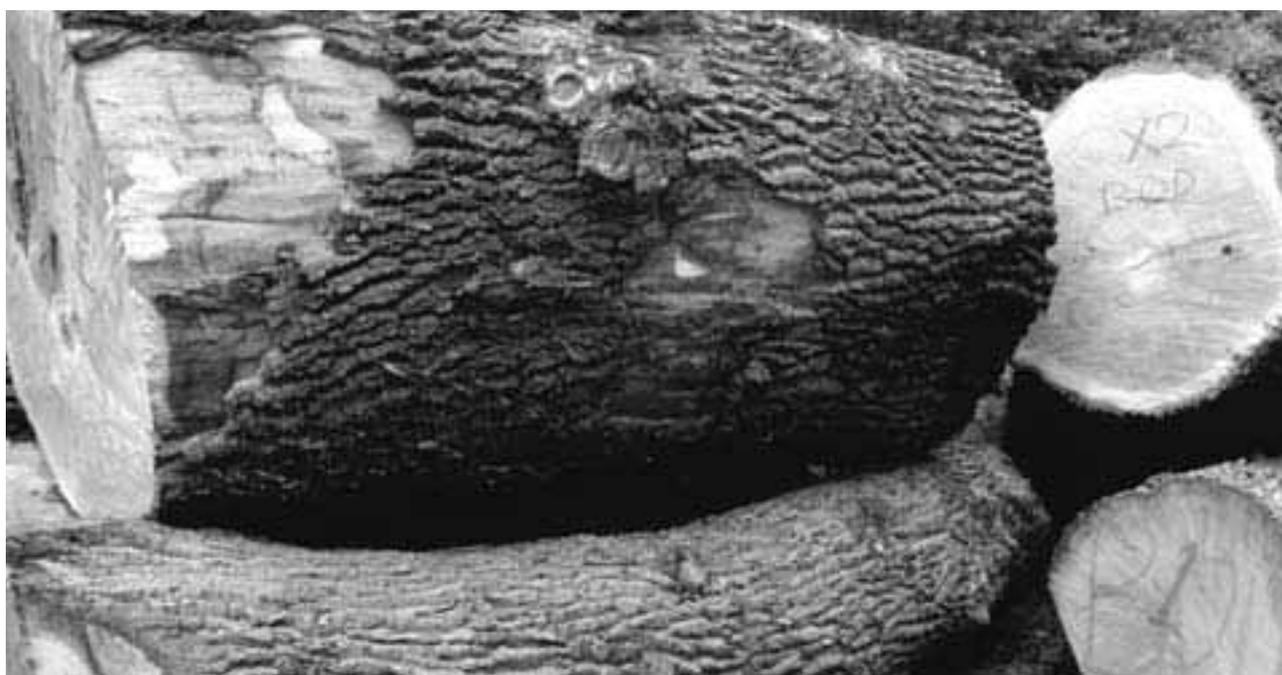
## **ENGLAND FOREST INDUSTRIES PARTNERSHIP**

The England Forest Industries Partnership (EFIP) is an important new Partnership between Government and the private sector to strengthen the competitiveness of the England forest industry sector and its ability to contribute to wider sustainable development objectives. A project manager was appointed

in May 2004. This has enabled a range of projects to be taken forward, including an e-business pilot in the South West, the development of a timber supplier database to support Government's timber procurement strategy, and the co-ordination of a joint timber sector stand at the Sustainable Communities Summit in Manchester.

A workshop to identify priorities for the EFIP Action Plan was held in November 2004. This was well attended and identified the following key priorities:

- strengthening the dialogue between the Forestry Commission and industry;
- raising the profile of the sector and celebrating successes;
- connecting industry with Regional Forestry Framework processes;
- undertaking a baseline study of the forest industry sector in England;



- identifying the barriers for English timber; and
- providing an information hub for the sector.

Funding has been secured from a wide range of Government and private sector partners to undertake the baseline study and a contract has now been let. The study will provide a map of the sector in England, identify strengths and weaknesses and those areas where the Partnership can take action. The information from the study will be used to inform the Action Plan for the Partnership, the review of the England Forest Strategy, and the development of Regional Forest Framework Action Plans.

## **SUSTAINABLE BUILDING TASK GROUP**

The Government published its response to the Sustainable Building Task Group report, 'Better buildings – better lives'<sup>7</sup>, in June 2004. The report recommended a range of practical and cost effective measures to improve the sustainability of buildings. The Forestry Commission provided technical support to Defra, ODPM and DTI in framing the Government's response. Most notably the Government has agreed to work with industry to develop a new Code for Sustainable Buildings, which will establish a standard of excellence for use of materials, energy and water efficiency and waste that goes beyond the minimum standards in building regulations. The Forestry Commission will continue to provide technical support to the Government in the development of this Code.

## **WOOD ENERGY**

We have continued to work closely with Defra on the development and delivery of support for biomass, including the delivery of the Energy Crop Scheme in England, technical advice on the potential for short-rotation forestry and the development of the Bio-Energy Infrastructure Scheme. We have also contributed to the work of the Biomass Task Group established by the Government and to that of the Royal Commission on Environmental Pollution, which produced a report on 'Biomass as a Renewable Energy Source'<sup>8</sup> in May 2004. The potential to use wood as an energy source is continuing to gain credence, as can be seen from the following examples.

### **Bioenergy Infrastructure Scheme**

Defra launched the £3.5 million Bio-energy Infrastructure Scheme in September 2004. The scheme provides support for the development of producer groups, capital investment and training in the biomass supply chain. We have worked closely with Defra in the development and promotion of the scheme. More than 70 applications for funding were received, with many from businesses or organisations working in the forestry sector. We will continue to provide technical support to Defra in the evaluation of the applications. The outcome of the application round will be announced in summer 2005.

### **Wood Burning Power Station, Teesside**

SembCorp Utilities have announced the development of a new wood burning power station on Teesside. This is a significant investment that will provide an important new market for about 300,000 tonnes of wood material a year. To help kick-start the

7. Available from: [www.dti.gov.uk/construction/sustain/sbtg.htm](http://www.dti.gov.uk/construction/sustain/sbtg.htm)

8. Available from: <http://www.rcep.org.uk/bioreport.htm>

# England Forestry for Rural Development

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development and establish forestry supply chains, Forest Enterprise has agreed to supply 50,000 green tonnes of roundwood per annum for the initial ten years of the project. We have also offered support to encourage supply from the private woodland sector in the region. The development will provide an important new opportunity for the region's farmers to grow energy crops for the rapidly developing renewable energy market and to create a new market for the region's woodlands. Initially, SembCorp will require 20 per cent of its wood supply to be in the form of purpose grown energy crops, so there will also be a need for material direct from the forest, sawmill residues and recycled material.

## **Kielder Woodfuel District Heating Scheme**

The woodfuel boiler at Kielder was fired up at Easter 2004 and is supplying heat to six workshop units, six new housing association houses, Kielder School, Kielder Youth Hostel and the Forestry Commission's Kielder Castle. The 300 kw boiler burns woodchips supplied by Forest Enterprise. Air-dried Sitka spruce is chipped in the forest, transported to a chipstore at Kielder depot and delivered to the boiler house as required. Annual timber consumption is about 600 green tonnes equivalent. The project was steered by Tynedale Council with funding from the European Regional Development Fund, the Single Regeneration Budget of the Regional Development Agency, the Northumberland National Park Authority and Northumberland County Council. The local community company, Kielder Community Enterprises Ltd, will be the heat supply company and boilerhouse manager. This scheme is being used as a flagship project to promote the development of similar systems elsewhere in North East England.

## **'Ignite' Training Programme**

In June, Northwoods (the North East's Woodland Initiative) launched the Ignite Woodfuel Training Programme. This is the first vocational qualification relating to Renewable Energy (woodfuel) in the UK. It has been developed and delivered on behalf of Lantra, with support from the Forestry Commission and the Northumberland Learning and Skills Council. Those attending the course have gained an excellent grounding in the economics of wood fuel supply, the technology available to produce wood fuel and the systems that burn it.

## **NEW INDUSTRY INVESTMENT**

Tynedale Council, Northumberland County Council, the Forestry Commission and One NorthEast commissioned Jaakko Pöyry Consulting to undertake a review and analysis of potential timber investment in the North East region, with a particular interest in a site in Hexham, adjacent to the Egger wood panels plant. The study makes a sound case for investment in connection with the timber industry on the site east of the Egger plant. This case is made within a regional context for the sector as a whole and makes clear the importance of a viable forest industry to ensure that related environmental, leisure and recreational benefits accrue from the forests that exist.

## **TRAINING**

We participated in the newly established Lantra Research Programme Board for Skills that is overseeing three separate research projects, all of which have been commissioned by Defra. These three projects are:

- Rural Training Group Support Network;

- Learning and Skills Advocacy Strategy; and
- Developing Business Competence.

Lantra has run a range of workshops with the land-based sector, including forestry, to look at best practice in training group support and identify the need for and potential content for the development of a business competence passport for the land-based sector.

## **MODERN APPRENTICESHIP SCHEMES**

A new Modern Apprentice Scheme for forestry in England has been developed under the auspices of Lantra and the Trees and Timber Industry Group. The scheme will provide training in Key Skills and NVQ level 2 qualifications for forestry, arboriculture and sawmilling. Further work is now being done to develop a NVQ level 3 unit. Development of a modern apprenticeship scheme was one of the main recommendations for forestry arising from Defra's Learning Skills and Knowledge Review.

In addition to the development of a national scheme, the apprenticeship approach has been piloted by Forest Enterprise in the New Forest, with funding from EU Leader+ and SEEDA. The New Forest Apprentice Scheme is designed to keep ancient New Forest crafts alive and also aims to give young people, who are looking for a career working in the area's woods and heaths, the best of starts. The apprentices will graduate with NVQ level 2 certificates and will receive support in finding employment in the industry.

## **SUPPORT FOR COPPICE WORKERS**

We have continued to work with the Green Wood Trust to support the coppice sector. A training course for coppice workers has

been developed with accreditation being provided through the Open College Network. During the year the Green Wood Trust also launched a coppice products web site<sup>9</sup> with a search facility for coppice workers, products and services.

## **WOODLAND INITIATIVES**

The various Woodland Initiatives from around the country met together for a Networking Day in May 2004. This was the fifth time such an event had been held. The purpose was to consider the way forward and focus on the needs of their projects and groups. It was the first time the conference had been organised by the newly appointed Woodland Initiatives Co-ordinator, whose role is to aid communication between the Initiatives, sharing news, information, documents and best practice. The three-year post is hosted by the Small Woods Association and funded jointly by the Forestry Commission and the Countryside Agency. A Learning Network, together with a web-based Woodland Initiatives Register, has now been established<sup>10</sup>.

## **HARVESTING, MARKETING AND PROCESSING GRANT**

Working with an advisory group and industry representatives during the year, we have identified two pilot areas for testing demand and outcomes that could be achieved from the introduction of a Harvesting, Marketing and Processing Grant. This work will provide the evidence to determine whether a support mechanism is required across England.

9. [www.coppice-products.co.uk](http://www.coppice-products.co.uk)

10. Available at: <http://initiatives.smallwoods.org.uk/>

# England Forestry for Rural Development

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## **UK WOODLAND ASSURANCE STANDARD (UKWAS)**

Following an independent audit against the UK Woodland Assurance Standard, we have received renewal of our Forest Stewardship Council (FSC) Certification for the public forest estate. The audit report was very positive and gave credit for outstanding achievement in a number of areas, including the National Arboreta, which were included in the Certification process for the first time. Only four new minor Corrective Actions were raised; programming of Forest Design Plan renewal, hardwood production forecasting, monitoring, and the recording of natural reserves. We welcome these as an important contribution to our process of continuous improvement.

## **TIMBER PRODUCTION**

A total of 1.53 million cubic metres of FSC certified timber was harvested from the public forest estate in England. Our timber production supports significant employment and economic activity in harvesting, haulage and wood processing businesses throughout the country. A viable and efficient harvesting and marketing sector is essential to undertake and fund the sustainable management of woodlands, in pursuit of a wide range of objectives. Of the wood volume sold, 63 per cent were standing trees with the balance coming from Forest Enterprise's own harvesting activity. Thinning operations contributed 39 per cent of the volume, demonstrating our continuing commitment to improvement of both timber quality and the landscape and environmental values of the nation's woodlands. Market conditions at the start of the year remained difficult, but as the year progressed there was a modest steady increase in timber values which, combined

with a healthy level of demand, led to a total timber income of £17.1 million. These positive factors give an optimistic start to 2005-06, but are tempered by the loss of the largest sawmill in the south of England due to a fire in February, and the uncertain impact of the serious windblow which occurred in Sweden in January 2005.

Of the total timber production, over 101,000 cubic metres were of hardwood, made up of both high quality timber for the bespoke building and furniture markets, and from thinning of 2,500 hectares of younger woodlands to promote timber quality and improvement of biodiversity values. We were particularly pleased to be able to undertake a significant thinning programme in the limestone woodlands of South Cumbria. Demand from the sawmilling sector for our FSC certified hardwood remained strong and we had a very successful Hardwood Auction in November that, for the first time, included a number of lots of high quality, large dimension softwood timber.

Timber processors continue to commit to significant investment proposals. These include sawmillers, panelboard producers and the energy sector. Our commitment to the market and our long-term contract arrangements are an important element in bringing these investments to fruition. However, as processing capacity increases, the supply commitment from the private sector will be an increasingly critical factor as the public estate now has a stable production forecast.

## **STORM DAMAGE**

The storms of early 2005 in the North of England caused considerable windblow, particularly in the northwest. It was very significant in Cumbria on parts of the public forest estate and on some private estates; but was not catastrophic across the county. In the Lake District, we estimate that approximately 100,000 cubic metres of timber was windblown on the public forest estate. This is equivalent to the full annual harvesting programme for North West England Forest District. Our response has been to entirely reschedule the 2005-06 Market Plan, but the positive outlook should enable all of this timber to be cleared within one year. Surveys in other affected Forest Districts revealed the level of damage in the North York Moors and Kielder to be sporadic; around 30,000 cubic metres of trees were blown in each. These quantities will be easily absorbed into normal harvesting programmes.

Forest Enterprise teams in North West England, Kielder and North York Moors Forest Districts were kept busy in the week following the storm, reopening access for residents living in and around our forests. We also worked with local authorities and utility companies to re-establish services. Given the severity of the storm in Cumbria, it is fortunate that our visitor centres at Whinlatter and Grizedale, and other buildings, were not damaged and these quickly returned to serving our visitors.

## **E-SALES – ELECTRONIC TIMBER TENDER**

Forest Enterprise England's first electronic tender for the sale of timber using our newly developed system was held in August 2004. The event ran very smoothly and was well received by customers, with significant positive feedback. We offered a paper version of the tender to ease customers into e-Business; 50% of bidders made use of this option. The system is now our standard means of sale and we are therefore contacting all customers to encourage them to move to electronic bidding to enable us to realise the full benefits of the system.

## **NELSON'S OAK**

In May 2004 the Captain of HMS Victory accepted two Forest of Dean oaks for the repair of his ship. These trees were planted during the drive to re-forest Royal Forests to produce oak for the Navy, which started whilst the Napoleonic wars were still in progress and continued into the 1830s, an effort that has produced some of the best loved of England's woodlands. Planting took place in the Forest of Dean (which had been almost destroyed by exploitative felling by the late 1700s), the New Forest and Alice Holt Forest. In a contemporary context, sourcing Forestry Commission FSC certified timber has enabled the Ministry of Defence to meet Government procurement requirements and will hopefully publicise our product for a wider range of specialist timber needs.

# England Forestry for Economic Regeneration

Our Forestry for Economic Regeneration Programme outlines a number of ways in which woodlands can contribute to strategic land-use planning. The Programme's priorities include restoring former industrial land and creating green and attractive settings in which to encourage inward investment. In taking this forward we have worked with the Office of the Deputy Prime Minister, as well as Defra. We see this as fundamental in the implementation of our aspirations for the delivery of the Economic Regeneration Programme of the England Forestry Strategy. Progress continues within a rapidly evolving, and potentially very positive, policy context. Our performance against the Spending Review 2002 Service Delivery Agreement targets is shown in Table 5. The shortfall in woodland creation in priority

areas is due in part to the increasing complexity of projects and partnerships associated with urban woodland schemes, which tends to delay implementation. Also the launch of the Land Restoration Trust later than originally anticipated has meant that the majority of its proposed work is at the preparatory stage. It is expected that woodland creation in these areas in future years will increase. Key achievements during the year are described below.

## **ASSISTING IN THE DELIVERY OF ODPM'S SUSTAINABLE COMMUNITIES PLAN**

We have continued to work with ODPM to ensure our programmes assist in the delivery of the wider social, environmental and economic objectives contained within the 'Sustainable Communities Plan'<sup>11</sup>. As reported



# England Forestry for Economic Regeneration

last year, the Newlands project was highlighted within the Deputy Prime Minister's progress report, 'Making it happen. The Northern Way'<sup>12</sup>, in February 2004. This helped underline our role in supporting ODPM's priorities in such areas as the Market Renewal Pathfinder Programme and the Northern Growth Corridor. Here we have been working with regional and local partners, including the Community Forests in the North West, North East, and Yorkshire and Humberside Conservancies, to develop opportunities to deliver 'green-infrastructure' as part of the wider Northern Growth Corridor proposals.

## Newlands

This was the first full delivery year for the £23 million Newlands 1 Economic Regeneration Scheme, covering Merseyside, Greater Manchester and North Cheshire, funded by the North West Development Agency (NWDA).

The scheme, which is managed by the Forestry Commission's North West Conservancy, is being delivered in partnership with the Community Forests, Groundwork and others, such as the British Trust for Conservation Volunteers. It will lead to the restoration of 435 hectares of former industrial land by creating community woodlands and form attractive settings that will attract and maintain economic investment. Progress during the year has included the appointment of specialist staff to deliver the programme, the completion of a major programme of site investigation over eight prime sites, the development of a 'model' long-term lease and management agreements for the Forestry Commission's 99 year legal site tenure, the establishment of a bespoke financial management system, the preparation of detailed

designs for two lead sites and NWDA approval to proceed on a nine hectare site. Newlands was also cited within the Government's UK Sustainable Development Strategy<sup>13</sup>.

## Growth Areas

In addition to our work within the North of England, we have also made significant advances in our role in support of policies for housing growth in the south east of England. Growth Areas were introduced in the Sustainable Communities Plan, which identified the need for 'radical action' to enable the provision of new homes in London and the south east. The Growth Areas comprise Thames Gateway, Milton Keynes/South Midlands, the London-Stansed-Cambridge-Peterborough corridor and Ashford in Kent. The Forestry Commission is recognised within the ODPM 'Living Places'<sup>14</sup> document, and consequently the Sustainable Communities Plan, as having a role to play within the rural/urban fringe green space agenda. In November 2004 we published 'Putting Green Space on the Map'<sup>15</sup>, which highlights the part Forest Enterprise can play in supporting green infrastructure delivery, and we exhibited as part of a joint Government Stand sponsored by ODPM's Thames Gateway Delivery Unit at the Thames Gateway Forum.

As well as green infrastructure in the Growth Areas we have also identified an important role in supporting the case for wood products within sustainable construction. Here, our interests are being developed in partnership with the Timber Industries sector where, for example, we are working with the UK Timber Frame Association to respond to the Sustainable Building Task Group report and the development of the Code for Sustainable Buildings.

12. Available from [www.odpm.gov.uk/stellent/groups/odpm\\_control/documents/contentservertemplate/odpm\\_index.hcst?n=4301&l=2](http://www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=4301&l=2)

13. Securing the Future - UK Government Sustainable Development Strategy, 2005. Available at: [www.sustainable-development.gov.uk/publications/uk-strategy/uk-strategy-2005.htm](http://www.sustainable-development.gov.uk/publications/uk-strategy/uk-strategy-2005.htm)

14. Living Places - Cleaner, Safer, Greener. Office of the Deputy Prime Minister, 2002

15. Available from Greenspace Development Officer, c/o Forestry Commission in Thames Chase, Broadfields Farm, Pike Lane, Cranham, Upminster, Essex, RM14 3NS.

# England Forestry for Economic Regeneration

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In our contribution to Growth Area development, we are building on the existing strengths and opportunities available through Conservancy and Forest District teams. We are also drawing on the expertise of our Land Regeneration Unit and the experience we have gained in the Community Forests, the Capital Modernisation Fund project and the Newlands initiative to underpin the development of our work.

A £250,000 project, including £188,000 funding from ODPM, enabled the modernisation of ageing facilities in Salcey Forest in the Milton Keynes/South Midlands Growth Area. This project has refurbished the car park and all ability trail, converted a three kilometre walk to an all ability trail, which includes three stress laminated bridges installed by Forestry Civil Engineering, and created a new ten kilometre walk and a nine kilometre family cycle trail. The project also included funding for the first phase of the restoration of 60 hectares of Salcey Lawn's historic wood pasture.

In December, a further £700,000 was announced for recreation infrastructure projects in Salcey Forest to support the River Nene Regional Park. The Regional Park is a large-scale project to provide and enhance green-infrastructure in the Northamptonshire part of the Growth Area. The funds will be used to design and build a Tree Top Way to take visitors to the tops of the forest's Napoleonic Oak. Elsewhere within the Park we are working in partnership with the County Council and other agencies to prepare strategic green-infrastructure plans.

At the end of March 2005, the Deputy Prime Minister announced that £4.8 million would be available to purchase a 147 hectare arable farm in north Kent within the Thames Gateway Growth Area and develop the land into a community woodland. Work has already started to convert the site by grass and wildflower sowing. However, the rest of the works, which are likely to include paths, interpretation, tree planting and further meadow creation, will not be started until a full consultation and environmental impact assessment process has been completed. The consultations will involve the local community as well as surveys of archaeology, flora, fauna and soils. This will provide data on which the development of the site will be based.

At the same time, £1 million was provided towards recreational and site infrastructure developments on a former landfill site in the London Borough of Havering. Ingrebourne Valley is an old gravel extraction site that was filled with unidentified waste in the 1960s. The Ingrebourne Valley Company received planning permission to dump inert waste on top of the poorly restored site in a bid to separate the surface from potential contaminants. As part of the planning permission, the company will restore the site to public greenspace once the site is complete. The funding from ODPM is dependent on Forest Enterprise assuming responsibility for the site by lease, the terms of which are still being discussed.

We have also been helping ODPM develop their Thames Gateway Greenspace Strategy and Implementation Plan.

# England Forestry for Economic Regeneration

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## **ODPM URBAN SUMMIT**

We participated in, and exhibited at, the 'Delivering Sustainable Communities Summit' held in Manchester at the beginning of 2005, taking the opportunity to demonstrate our work in relation to the Thames Gateway, Newlands and the Public Benefit Recording System. The Deputy Prime Minister, John Prescott, and the Chancellor of the Exchequer, Gordon Brown, underlined the importance of the environment (in its broadest terms) in creating sustainable communities and the need for good management of public spaces to provide attractive places in which to live, invest and do business.

## **COMMUNITY FORESTS**

The Forestry Commission has been a national partner, alongside the Countryside Agency, in the development and delivery of the programme of twelve Community Forests since its inception in the late 1980s. The original Government commitment to core fund the pilot programme was for ten years to 2005. The Regional Forestry Frameworks will guide future support for the twelve forests.

Recognising that progress in the transition had not as been as rapid as was hoped, an extra two years' funding was announced in March 2004 to facilitate the evolution of the programme to a more regional focus and support framework from April 2007. In this process, each Community Forest is preparing a 'Succession Planning Framework', within the context of agreed national guidance. These Frameworks will be subject to approval and reporting against agreed principles as a basis for the allocation and management of transition funding through Forestry Commission Conservancy-based grant agreements. As part

of the transition, lead responsibility in Government for community forestry and the twelve forests was vested in the Forestry Commission. This includes oversight and direction of the transitional arrangements.

These changes also provide an opportunity to rationalise and reinvigorate the wider community forestry sector, as a foundation for future action to drive forward the delivery of the vision for the urban fringe set out in the Countryside Agency and Groundwork publication 'Countryside in and Around Towns'<sup>16</sup>. To support this process, we are considering, with the National Urban Forestry Unit and the Community Forests, the scope for developing a new framework and support structure to encourage the continued establishment of community forestry over the next five to ten years.

## **ROYAL SOCIETY FOR THE ENCOURAGEMENT OF ARTS, MANUFACTURES & COMMERCE (RSA) ANNIVERSARY WOOD**

Forest Enterprise, in partnership with the National Forest Company, has provided the RSA with a ten hectare site, near Castle Gresley in South Derbyshire, on which to create a RSA 250th Anniversary Wood. The wood will be established with approximately 2025 thousand native hardwoods; in other words roughly one tree for every Fellow in the Society. This initiative takes forward the Society's long association with woodland creation; from the 1750s through to the 1820s, the RSA encouraged tree planting across the UK. Well over 50 million trees were planted as a result of the Society's awards, giving rise to many of the woods we enjoy in Britain today.

16. Available at: [www.countryside.gov.uk/LAR/Landscape/CIAT/CAT\\_VisionPublication.asp](http://www.countryside.gov.uk/LAR/Landscape/CIAT/CAT_VisionPublication.asp)

# England Forestry for Economic Regeneration

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The 25-hectare site, which accommodates the RSA Fellows Wood, is prominently located on sloping land adjoining the Castle Gresley bypass. It was an opencast site in the 1990s, initially restored to agriculture. The creation of a mixed native broadleaf woodland will complement the adjoining mature woodlands in which oak, ash and birch predominate. Planting commenced this year and will be completed during the 2006-07 planting season. It will be owned and managed by Forest Enterprise.

## **COUNTRYSIDE IN AND AROUND TOWNS**

The Countryside Agency and Groundwork launched a new publication, 'Countryside in and Around Towns', in January 2005. This is an inspirational vision for the rural/urban fringe, outlining what it could look like, the wide range of invaluable functions it could fulfil, and how it could help make sustainable development a reality across large parts of England.

The Forestry Commission has collaborated in the preparation of the document and is included as one of the key supporters of the vision, alongside English Nature and the Rural Development Service. We anticipate our role in the delivery of the vision will be through:

- the development and support of urban and community forestry;
- building on existing networks and partnerships, including the Land Restoration Trust;
- use of strategic frameworks for engagement through Regional Forestry Frameworks;

- direct delivery through the public forest estate;
- use of grant aid; and
- provision of expert support, advice and appropriate research.

## **LAND RESTORATION TRUST**

The Deputy Prime Minister, John Prescott, launched the Land Restoration Trust (LRT) in April. Created by a partnership between English Partnerships, Groundwork, the Forestry Commission and the Environment Agency, the Trust is a new venture aimed at tackling enduring dereliction across England. It will improve the environment and quality of life for communities by providing long-term sustainable management of public spaces. During the three-year pilot phase, the sites will comprise about 1,500 hectares of former colliery land from English Partnerships' 'Coalfield portfolio'.

We are supporting the LRT through assistance to the Board, grant aid and by sharing best practice, for example Roots computer software. John Tewson (formerly Forest Enterprise England Development Manager) has been seconded to the LRT as Estates Director. His role involves the management of the estate, in particular the negotiation and arrangement of management agreements with local delivery partners, which includes Forest Enterprise.

# England Forestry for Recreation, Access and Tourism

Our Forestry for Recreation, Access and Tourism programme promotes more and better quality public access to woodlands. It also includes opportunities for ensuring that woods and forests continue to be used for a wide range of recreational pursuits as well as supporting the tourism and leisure industries. An important new role is the benefit of woodlands and woodland recreation to health and well-being. Our performance against the Spending Review 2002 Service Delivery Agreement targets is shown in Table 5. Key achievements during the year are described below.

## **DEDICATION OF FORESTRY COMMISSION FREEHOLD LAND FOR ACCESS**

The process of dedicating the Forestry Commission's freehold estate has commenced, with the dedications of three woods in operation from 22 September - Delamere (in the Lower North West) and Clowes and Kings Wood Challock (in the South East). These coincided with the

Government's introduction of new statutory access rights in these two areas and the publication of Statutory Access Maps by the Countryside Agency. By the end of the year access rights were in place for over 3,200 hectares, with a further 80,000 hectares registered with the Countryside Agency and subject to a six month lead in period.

The intention is to have dedication in the remaining mapping areas completed and ready to launch at the same time as Statutory Access in those areas. The dedications in all areas should be operational by March 2006.

## **FOREST EDUCATION INITIATIVE AND FOREST SCHOOL**

We have continued to support the Forest Education Initiative (FEI) partnership and we employ the co-ordinator for England. With over 20 active cluster groups across the country, approximately £25,000 of grant has been distributed over the last year to assist a range of projects. These aim to increase the understanding and appreciation, particularly



# England Forestry for Recreation, Access and Tourism

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among young people, of the environmental, social, and economic potential of trees, woodlands and forests and of the link between the trees and everyday wood products.

Forest School, an inspirational process that offers children, young people and adults regular opportunities to achieve and develop confidence and self-esteem through hands-on learning in a local woodland environment, is growing in popularity. The number of Forest Schools and trained Forest School leaders is increasing. We have commissioned, on behalf of FEI, a feasibility study into developing a quality assurance scheme for Forest School. Work to take this forward will continue during 2005.

Forest Enterprise has continued to deliver a range of education and learning programmes to all ages, with over 100,000 people benefiting. In Wyre Forest in Worcestershire, Forest School and the probation service have been working particularly closely with pupils at risk of exclusion from school.

## **WOODS FOR PEOPLE**

The first version of the UK inventory of accessible woodland, 'Woods for People', was published early in 2005<sup>17</sup>. The dataset, managed by the Woodland Trust, will allow a strategic approach to the planning and management of woodland close to people. We supported the Woodland Trust's method of analysing this data in their publication *Space for People*<sup>18</sup>. The inventory will be maintained and updated on an annual basis.

## **HEALTH AND WELL-BEING**

We have continued our work to demonstrate the links between woods, trees and forests and people's health and well-being.

We managed, through the Countryside Recreation Network and on behalf of a consortium of countryside bodies, a research project undertaken by the University of Essex into the relationship between greenspace, health and well-being. The results were presented to a wide range of delegates, including the Minister for Rural Affairs, Alun Michael, at a conference held in early 2005. At the same event, the Directors or Chief Executives of the Forestry Commission England, English Nature, the Countryside Agency, Sport England and the Association of National Park Authorities signed an *Outdoors Health Concordat*<sup>19</sup>. The actions from this Concordat will be delivered throughout 2005 and will improve agency collaboration in this important area.

## **ACTIVE WOODS CAMPAIGN**

In 2005 we launched 'Active Woods', a campaign to promote our work on health and well-being, as the centrepiece of our publicity and outreach. Its aim is to make the connection in people's minds between trees and health and well-being, thereby increasing participation in many activities in our forests. It brings together under one banner a wide range of active involvement, from health walks through to mountain bike competitions, with the key message that active participation is good for people's health.

We have been successful in receiving lottery funding from Active England to develop a number of projects around the country that bring together recreation within forests and the benefits to health. Two are detailed further below:

# England Forestry for Recreation, Access and Tourism

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- Haldon Forest Park near Exeter is under construction with the aim of providing the opportunity for healthy recreation to everyone, including those who do not associate themselves with sport. Purpose-built family cycling trails, mountain biking and walking routes will include innovative incentives for people to be physically active. Children's play facilities will sit alongside calorie-mapped walking trails. Experience and confidence in off road cycling can be gained on the family routes, with encouragement and coaching available to anyone wishing to progress to the more challenging mountain biking facilities. Once construction is complete, the Peninsula Forest District team will encourage as many people as possible to use the site for sport and recreation. Special events and activity programmes aimed at people who do not currently take part in any form of physical activity will be developed and widely promoted; and
- the Rosliston Forestry Centre is the oldest Forestry Commission site in the National Forest and this year celebrated its 10th Anniversary. It is 64 hectares in size and partly owned by South Derbyshire District Council. The strong partnership has secured funding from Active England and the Derbyshire and District Economic Partnership for a project to develop Rosliston as the physical activity centre for the National Forest. Its focus is two-fold and reflects the priorities of the two major funders; economic regeneration and promoting physical activity. The project includes the building of luxury all-ability forest lodge accommodation for groups, the upgrading of tracks and trails, improvements to the visitor centre to include

showers, changing rooms and a youth room, the creation of new play spaces and the installation of a wood-fuel heating system. The project will be completed by December 2005.

Other examples from the public forest estate in which Forest Enterprise have been involved are:

- Chopwell Health Pilot Project near Newcastle, for which we have appointed a Health Promotion worker, aims to demonstrate the value of woodland for improving the health of local communities. The main elements, in association with local Primary Care Trusts, are a GP referral scheme and working with the National Health Schools Standard in a number of Derwentside schools;
- a pilot in the Forest of Dean, led by Lifecycle UK, a Bristol-based cycling charity, has been completed. They worked with people in the Forest of Dean and from inner city Bristol. The Dean cycle concession, Pedalabikeaway, is also working with a local GP referral scheme to develop cycling as an alternative to exercising in gyms; and
- the Birches Valley Route to Health Sculpture Trail is a partnership project between Forest Enterprise, Cannock Primary Care Trust and Cannock Chase District Council. The sculptures (some temporary, some permanent) have been designed in collaboration with local artists and community groups on a variety of health topics, ranging from personal hygiene to the importance of play. The level, easy walking trail is ideal for both young and old and for those looking to

# England Forestry for Recreation, Access and Tourism

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indulge in gentle exercise. It proved very popular with over a thousand visitors a week through the summer.

## **CONCORDAT WITH THE KENNEL CLUB**

We have launched a partnership with the Kennel Club<sup>20</sup> to recognise the benefits of access to Forest Enterprise-managed woods for dog owners and the health benefits of owning a dog. Dog walking is the single largest activity to take place on the public forest estate, with an estimated 60 million dog visits per year. A range of studies has shown that dog ownership can improve people's health in a number of ways, including increasing activity and reducing stress.

## **AROUND THE LAKE MULTI-USER PATH – KIELDER WATER**

We have the aim of creating a 27-mile multi-user, all-ability path around Kielder Water. Following the success of the first section, the Countryside Agency and One North East (the Regional Development Agency) have agreed to fund further stretches. The path, which is three metres wide, is surfaced with local stone. It is created using a revolutionary soil reversal technique and incorporates lateral drainage. Construction contracts are let and supervised by Forest Enterprise.

## **HLF FUNDING FOR CANNOCK CHASE TRAIL**

A bid for £1.7m from the Heritage Lottery Fund to refurbish a local museum and create a trail highlighting the historic aspects of Cannock Chase was successful. As part of that bid we received £110,000 to upgrade the track and improve the signage for our part of the heritage trail.

## **2004 FOREST CONCERT TOUR**

The artists involved in the 2004 concert tour performed at more venues than ever; Bedgebury, Dalby, Delamere, Sherwood and Thetford. All saw huge crowds turn up to watch their favourite bands. Paul Weller appeared and sold out at all five sites, and reported that he enjoyed the experience so much he would love to come back and do it all again next year! However, we did hit our biggest problem to date when Bryan Ferry had to cancel three concerts due to laryngitis.

We achieved quite a coup by attracting one of Britain's top current bands, the Sugababes, to appear at two of our sites. The high profile this band enjoys enabled yet another sell-out night for Thetford. The press coverage of their concerts was considerable and as a result we were immediately fielding calls from both press and musicians wanting information on next year's tour.

## **KIELDER FESTIVAL**

This year, along with Kielder Partnership, the Kielder Festival was extended to a full week. The aim was to give greater opportunity for community involvement and to increase the potential contribution of the Festival to the local economy. Over 2,000 people attended each of the weekend days, enjoying a packed programme including Battle of Britain Memorial Flight, the Red Arrows and a parachute drop, stallholders, musicians and a well-filled events programme in the main arena, and the traditional Forest Open Day.

# England Forestry for Environment and Conservation

The Forestry for Environment and Conservation programme embraces the role woodlands can play in conserving and enhancing the character of our environment, our cultural heritage, and in delivering against the Government's international commitments on biodiversity and climate change. Our performance against the Spending Review 2002 Service Delivery Agreement targets is shown in Table 5. Key achievements during the year are described below.

## **SITES OF SPECIAL SCIENTIFIC INTEREST (SSSIs)**

Work has continued with improving the condition of both woodland and non-woodland SSSIs. We have compiled a database of the work required to achieve favourable condition for all the SSSIs on the national forest estate: this has shown that 73% are already in favourable condition. The database will be used to co-ordinate and implement a wide range of work over the coming five years.

## **ANCIENT AND NATIVE WOODLAND**

Putting ancient woodland at the heart of forestry policy has required a range of actions. Having secured a two-year secondment from the Woodland Trust, with the support of English Nature, we have prepared a draft Statement of Policy and accompanying set of draft Management Guidelines for Ancient and Native Woodlands. As part of this process, we ran a series of seminars for Forestry Commission staff, woodland owners and managers to raise awareness, receive input from practitioners and 'trail' the approaches that underpin the policy and practice.

We have also worked closely with Defra and ODPM in the preparation of 'Planning Policy Statement No. 9' and the consultation draft contained a specific section on protection for ancient woodland and veteran trees. Similarly, working with Defra, options for the management of woodland and ancient trees have been included in the new Environmental Stewardship Schemes.

Forest Enterprise has commenced a programme to restore 15,000 hectares of ancient semi-natural woodland by the thinning of plantations on ancient woodland sites. During the first year over 5,500 hectares have been thinned.

## **RESTORATION OF NON-WOODLAND HABITATS**

As part of our commitment to the Biodiversity Strategy for England<sup>21</sup>, we are seeking to improve or recreate non-woodland semi-natural habitats. As woodland removal can be contentious and may be seen to conflict with our international commitments to conserve all forest land, we have begun the preparation of a statement of policy and practice on the restoration of open habitats through the removal of forest. A secondee from the RSPB, whose post is supported with additional funding from English Nature, is assisting this process. We have reviewed recent cases and the issues that arise and will be producing a discussion document to inform consultation on a draft policy in 2005. We are also involved in a number of practical initiatives.



21. Working with the Grain of Nature, Department for Environment, Food and Rural Affairs 2002.

# England Forestry for Environment and Conservation

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A substantial proportion of the remaining lowland heath in England is associated with woodland. We have collated information on the extent of this habitat on the public forest estate, which has shown that Forest Enterprise has re-created over 2,000 hectares of lowland heath in recent years. A project to assess the potential for heathland re-creation in East England has been completed with funding from the Forestry Commission, the RSPB, English Nature and the East of England Development Agency. This produced a geographic model based on biodiversity, social and economic factors. In partnership with English Nature and other landowners, North York Moors Forest District has signed up to a 'Tomorrow's Heathland Heritage' project to improve and re-establish lowland heathland in the Vale of York. Heathland was once a common habitat in this area at the northern extent of its range.

Hampsfield Allotment is an area of limestone pavement, near Grange over Sands in Cumbria, which is of very high geological and nature conservation importance. In the past, part of the area was planted with Corsican pine, which is damaging the nature conservation interest, shading out the native flora and having a negative landscape impact. Funding of £40,000 has now been secured from the Aggregates Levy Sustainability Fund, English Nature and Friends of the Lake District to remove the Corsican pine and restore the area.

A partnership between Forest Enterprise, the RSPB, English Nature, National Trust, Suffolk Wildlife Trust and the Suffolk Coast and Heaths Project has been formed to investigate the potential for combined and extensive land management across 7,000 hectares of the Suffolk coast. Between them, the partnership

members have extensive land holdings in the area, with strong connectivity. The concept, which will be subject to a formal Environmental Impact Assessment, includes the restructuring of the 500 hectares of the Forestry Commission's Dunwich Forest over the next 40 years into a mix of broadleaf woodland, wet woodland and heath. This would benefit biodiversity and in particular key Biodiversity Action Plan species such as nightjar, silver-studded blue butterfly and nightingale. The partnership will also co-operate on social and economic activities in the area, with the Forest playing a key role in absorbing some of the heavy visitor pressures.

## **EU LIFE PROJECT IN THE WYE VALLEY**

Ravine WoodLIFE is a £1.3 million EU LIFE funded project, co-ordinated by WWF-UK with the Forestry Commission, the Countryside Council for Wales, Derbyshire Wildlife Trust, English Nature, the National Trust, the Woodland Trust and Wye Valley AONB being partners. The aims of the project are to:

- ensure the long-term ecological viability, through partnership working and co-ordinated management, of two ravine woodlands which are internationally important Special Areas of Conservation (SAC), covering 2,973 hectares in the Peak District Dales and Wye Valley;
- develop innovative solutions to address the environmental, social and economic threats to these woodlands and associated habitats; and
- raise awareness of the importance of these woodland habitats within the Natura 2000 network and share experience gained.

# England Forestry for Environment and Conservation

In the Wye Valley woodlands, a number of which are part of the public forest estate, the funding will assist restoration of coppice management, the removal of conifers, the management of large trees along Offa's Dyke, a survey of veteran trees, deer management within Lady Park Wood and a general review of the AONB woodland management guidelines.

## THE NEROCHE PROJECT

Located in the heart of the Blackdown Hills in Somerset, the Neroche Project covers an area that is of outstanding heritage significance. A rich and complex mosaic of landscape features and intimate but traditional habitats form the backdrop to a scheme that will bring a £2.7 million boost to Devon and Somerset's environment and economy. This five-year groundbreaking partnership project has been awarded £2 million from the Heritage Lottery Fund and has generated a further £700,000 from other funding partners. The result of a year long local community consultation process, the Neroche Project now encompasses 30 individual projects, including landscape restoration and the re-introduction of grazing animals, apprenticeship training opportunities, wildlife conservation, a healthy walking initiative and the creation of a new 14 mile riding, cycling and walking route.

## DEER MANAGEMENT

The Action Plan for the Sustainable Management of Deer in England, which was developed last year, has been formally published. Its implementation will be the joint responsibility of English Nature, the Forestry Commission, Defra and the Rural Delivery Service.

A new funding package has been agreed for the Deer Initiative, involving Defra, English

Nature and the Forestry Commission. This will increase the capacity of the Initiative, with a focus on provision of information and delivery on the ground. As part of this, an additional Deer Liaison Officer has been appointed in South West England.

## GREY SQUIRRELS

In our response to the 'Sustaining England's Woodlands Review'<sup>22</sup>, we committed ourselves to develop a new package of advice for managing grey squirrels. Working with the England Squirrel Forum (ESF) we have prepared a statement of proposed policy and action. The proposals describe the Government's role as:

- to support and encourage the effective and humane control of grey squirrels, focusing resources on locations where they are causing the greatest threat to the sustainable management of woodland and the associated public benefits;
- to fund, in partnership with others, research into methods of control and silvicultural techniques which offer effective population control and management;
- to work in partnership with other organisations at local, England, GB and international levels in achieving these policy objectives; and
- to continue to monitor and evaluate the damage caused by grey squirrels and the threat they pose to sustainable woodland management.

This has now been subject to widespread consultation and it is intended to publish the final policy document early in 2005-06.

22. Sustaining England's Woodlands: Response of the Forestry Commission to the Steering Group Report. Forestry Commission, Cambridge, 2002. Available at: [www.forestry.gov.uk/pdf/sustainreviewpart1and2.pdf/\\$FILE/sustainreviewpart1and2.pdf](http://www.forestry.gov.uk/pdf/sustainreviewpart1and2.pdf/$FILE/sustainreviewpart1and2.pdf)

# England Forestry for Environment and Conservation

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## **RED SQUIRREL CONSERVATION PROJECT**

We are leading a partnership to develop and implement a strategy to conserve red squirrels in northern England. The partnership has identified 16 forests that could act as Red Squirrel Reserves and resources will be targeted at these. A Heritage Lottery Fund bid to support implementation of this strategy is to be submitted in 2005-06.

To support the development of the project, researchers from Newcastle University and Queen's College London, in association with Kielder Forest District, investigated the likely arrival, within the next five to ten years, of significant numbers of grey squirrels at the edges of the Kielder Forest. High proportions of these squirrels are likely to carry the parapox virus, a disease that has little effect on grey squirrels but is fatal to reds. The model produced investigated the consequences of disease transmission. The researchers estimate that infectious squirrels are likely to cause localised extinction of reds, but that this will not irrevocably affect the core population in Kielder Forest and numbers should recover. The model indicates that Kielder's size works in the reds' favour. Large areas of conifer present an unappealing habitat for greys, making it less likely they will penetrate too deeply. This will provide a barrier to the transmission of parapox between infected reds. However, working on the same basis, it is unlikely that smaller forests elsewhere will be such an effective barrier to the advancing disease. In these, the chances of reds surviving are lower.

## **NEW FOREST EU LIFE 3**

This is a ground-breaking project to restore a watercourse, which is almost wholly within the New Forest, as a contribution to alleviating

flooding in Lymington. An important milestone has been reached with the restoration of over 2 km of the Highland Water. Working in partnership with the Environment Agency, bed levels and meanders have been restored in the upper reaches of this important tributary of the Lymington River. The restoration required the importing of over 11,000 tonnes of clay and gravel, plus the removal of extensive areas of conifers along the valley bottom.

## **PROGRESS**

PROGRESS (PROmotion and Guidance for Recreation on Ecologically Sensitive Sites) is a project, funded through the EU Interreg programme, to safeguard two of Europe's most treasured landscapes - the New Forest in England and the Forest of Fontainebleau in France. Following extensive consultations with local user groups, the project team has published Codes of Conduct for walkers, dog walkers, cyclists and horse riders. These Codes are designed to improve recreational users' understanding of the impact their activities can have on the New Forest and its internationally important wildlife.

## **ENHANCED WOODLAND EXPERTISE IN AREAS OF OUTSTANDING NATURAL BEAUTY (AONB)**

In a major joint initiative with the Countryside Agency, the 'woodland expertise' of several AONB teams has been enhanced. Two new posts have been created, one covering the North Pennines and Northumberland Coast and the other shared between five AONBs in the South East. The Chilterns and North Wessex Downs have also benefited with the equivalent of one full time person shared between them.

### THE ROLE AND STRUCTURE OF THE FORESTRY COMMISSION AS AT 31 MARCH 2005

As the Government Department for forestry in Britain, we have a statutory duty to promote the interests of forestry, balancing the needs of timber production with those of landscape and conservation. We are responsible for effective implementation of forestry policies and can only do this by working with others. We aim to be an effective, open and responsive organisation, committed to providing a first class service and striving to achieve continuous improvement. We have a structure designed to deliver Government policy in England, Scotland and Wales.



Report directly to the Director General and, with him, are members of the Executive Board.

# Appendices

## Appendix 2

### **FORESTRY COMMISSIONERS AND SENIOR STAFF AS AT 31 MARCH 2005**

#### **Board of Commissioners**

Lord David Clark	Chairman
Tim Rollinson	Deputy Chairman and Director General
Paul Hill-Tout	Director England
Dr Bob McIntosh	Director Scotland
Simon Hewitt	Director Wales
Anthony Bosanquet	Non-executive Commissioner Wales
Tony Cooper	Non-executive Commissioner England
Dr Victoria Edwards	Non-executive Commissioner England
Martin Gale	Non-executive Commissioner Scotland
Andrew Raven	Non-executive Commissioner Scotland
Gareth Wardell	Non-executive Commissioner Wales

#### **Forestry Commission GB and Central Services**

Wilma Harper	Secretary and Head of Corporate and Forestry Support
Kim Lardge	Director Human Resources
Keith Gliddon	Director Finance
Alan Mitchell	Head of Business Services
Liz Holmes	Head of Internal Audit
Roger Herbert	Head of Country Services

#### **Forestry Commission England**

Paul Hill-Tout	Director England
Geoff Hatfield	Chief Executive Forest Enterprise
Peter Ranken	Head of Recreation and Development

#### **Forestry Commission Scotland**

Dr Bob McIntosh	Director Scotland
Dr Hugh Insley	Chief Executive Forest Enterprise
Ian Forshaw	Head of Policy and Economic Issues

#### **Forestry Commission Wales**

Simon Hewitt	Director Wales
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#### **Business Units**

Craig Heaney	Director Business Units
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#### **Forest Research Agency**

Professor Jim Lynch	Chief Executive
Dr Peter Freer-Smith	Chief Research Officer

### **STATUTORY AND OTHER COMMITTEES APPOINTED BY THE FORESTRY COMMISSION (MEMBERSHIP AT 31 MARCH 2005)**

#### **National Committee**

The Committee is appointed by the Forestry Commissioners under Section 2(3) of the Forestry Act 1967, which states that:

“The Commissioners shall by order appoint committees for England, Scotland and Wales respectively, whose membership shall consist partly of persons who are Forestry Commissioners or officers of the Commission and partly of persons not exceeding three in number, who are not Forestry Commissioners or officers of the Commissioners; and the Commissioners may delegate, subject to such restrictions or conditions as they see fit, and of their functions to a committee so appointed.”

#### **England**

Lord David Clark (Chair), Tony Cooper, Gerald Dawe, Dr Victoria Edwards, Rod Leslie, John Scotney, Paul Hill-Tout, Judith Webb, David Coleman (Defra Observer). Secretary to the Committee: Mark Pritchard. The Committee met in May, July, September and November 2004 and in February and March 2005.

#### **Regional Advisory Committees (RAC)**

The Committees are appointed by the Forestry Commissioners under Sections 37 and 38 of the Forestry Act 1967. Their terms of reference are:

- a. to advise the Forestry Commissioners on the performance of the Forestry Commissioners' functions under Section 1(3) and Part II of the Forestry Act 1967; and
- b. to advise the Forestry Commissioners on such other functions as the Forestry Commissioners may from time to time determine. These additional functions include:
  - conciliate in all disputed applications for grant aid, felling licences or approval of plans of operations under a closed grant scheme where there is a sustained objection by a statutory body; and advise the Forestry Commission on other applications when asked to do so by the Conservator;
  - advise the Forestry Commission on the implementation at regional level of national forest strategies and associated policies, together with any expressions of these in regional forestry frameworks;
  - advise on a small number of specific topics and issues which Commissioners will select, focusing on regional issues or implications; and

# Appendices

## Appendix 3

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- inform the Forestry Commission of matters of regional or local concern on which the RAC considers it necessary to comment.

The Forestry Commissioners usually ask the Regional Advisory Committees for their views on proposed changes to the Regional Advisory Committee structure, composition or remit, or to the Forestry Commission's grant schemes and felling licence procedures and associated consultation arrangements.

### ENGLAND

#### **North West England Conservancy**

Professor John Handley (Chair), Martin D Clark, Neil Cumberlidge, Tom Ferguson, Martin Harker, Liz Newton, Martin P Reynolds, Councillor David Robinson, Karen Slater. Secretary to the Committee: Rob Lawson. The Committee met in June and October 2004 and March 2005.

#### **North East England Conservancy**

Denise Caudle (Chair), Martyn Batchelor, Clive Davies, David Fruin, Neil Harrison, Lord Anthony Hill, Sian Thomas, Lorraine Weeks, Doug Wentworth. Secretary to the Committee: Isabel Farries. The Committee met in June, September and December 2004 and March 2005.

#### **Yorkshire and The Humber Conservancy**

Professor Carys Swanwick (Chair), Ian Carstairs, David Clayden, Val Dilcock, Martin Glynn, Alan Simson, Peter Townson, Richard Walker, David Wilmot-Smith MBE. Secretary to the Committee: Lesley Dyson. The Committee met in June and November 2004 and March 2005.

#### **West Midlands Conservancy**

Stephen Potter (Chair), Mike Bradbury, Graham Hunt, Nerys Jones, Roger Plowden, Sara Roberts, Russell Rowley, Andrew Sharkey, Helen Woodman. Secretary to the Committee: Julia Hall. The Committee met in July and November 2004 and March 2005.

#### **East Midlands Conservancy**

Julian Purvis (Chair), Ian Biddulph, Steve Clifton, Richard Harvey, Assim Ishaque, Clive Keble, John Lockhart, J Geoff Machin OBE, Councillor Roy Mayhew. Secretary to the Committee: Anne Jordan. The Committee met in June and September 2004 and February 2005.

#### **East of England Conservancy**

Dr Gerry Barnes (Chair), Michael Allen, Dr Robert Fuller, Steele Haughton, John Meehan, Julian Pitt, Richard Powell, Richard Tattersall, Stephen Westover. Secretary to the Committee: Rose Proctor. The Committee met in June and October 2004 and February 2005.

#### **South West England Conservancy**

Sir Harry Studholme (Chair), Sue Blacker, Dr Richard Cresswell MBE, David Dixon, Richard Lloyd, John Rainger, Chris Roberts, David Sisson, Gwilym Wren. Secretary to the Committee: Rachel Evans. The Committee met in June and November 2004 and February 2005.

#### **South East England Conservancy**

Bridget Bloom OBE (Chair), Nigel Braden, Valerie Carter, Andrew Ingram, Duncan Mackay, Steve Rodrick, Derick Stickler, John Tucker, Dr Tony Whitbread. Secretary to

the Committee: Caroline Ewin.  
The Committee met in June and October 2004 and March 2005.

### **London Conservancy**

Marion Kerr (Chair), Paul Akers, Jane Carlsen, Mathew Frith, Jenny Scholfield, Graham Simmonds, Charles Tustian, David Wardle, Dr Jeremy Wisenfeld.  
Secretary to the Committee: Ron Melville.  
The Committee met in July and November 2004 and March 2005.

### **Forestry Commissioners' Advisory Panel**

Tricia Henton (Chair), Dr Hilary Allison, Dr Peter Bonfield, Tony Hams, Barrie Hudson OBE, Chris Inglis, Professor David Ingram OBE, Professor Terry Marsden, John Meehan, Matthew Rivers, Councillor Iain Ross, Adrian Whiteman, Peter Wilson, William Worsley. Secretary to the Committee: Lynne Rennie. The Committee met in October 2004 and January 2005.

### **Advisory Committee on Forest Research**

Professor David Read (Chair), Dr Christine Cahalan, Professor Roland Clift OBE, Professor David Evans, Dr Steve Gregory, Professor Paul Jarvis, Professor Mike Jeger, Professor Brian Kerry, Professor Jim Lynch, Professor Catherine Ward-Thompson.  
Secretary to the Committee: Dr Peter Freer-Smith. The Committee met in April and November 2004. It received an external visiting group report on Forest Research's Social Research Unit and appointed a visiting group to look at the work of Biometrics Division during 2005-2006.

### **Forestry Research Co-ordination Committee**

Wilma Harper (Chair), Nick Barker, Malcolm Beatty, Richard Brand-Hardy, Kerry Broadfoot, John Brumwell, Helen Jones, Dr Keith Kirby, Gerry Lawson, Professor Jim Lynch, John Palmer, Rob Robinson, Dr David Rook, Bob Selmes, Clive Thomas, Cedric Wilkins. Secretary to the Committee: Dr Peter Freer-Smith.  
The Committee met in November 2004 and, in February 2005, published an account of UK forestry and tree-related research 2003-04 (FRCC Information Note No 63).

### **England Forestry Forum**

The England Forestry Forum reports to the Forestry Minister for England, Ben Bradshaw MP, through the Forestry Commission and has the following terms of reference:

- to share and exchange proposals for implementing the Government's Forestry Strategy for England; and
- to monitor and review progress in the implementation of the Forestry Strategy.

The Forum did not hold any meetings during the year.

Reports of Forum meetings and all Forum papers are available on our website at: [www.forestry.gov.uk/englandforestryforum](http://www.forestry.gov.uk/englandforestryforum)

# Appendices

## Appendix 3

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Members of the Forum include representatives from the following organisations:

The Association of National Park Authorities;  
The Community Forests;  
The Council for British Archaeology;  
The Campaign for the Protection of Rural England;  
The Country Land and Business Association;  
The Countryside Agency;  
English Heritage;  
English Nature;  
English Partnerships;  
The Environment Agency;  
The Forestry Commission Regional Advisory Committees;  
The Forestry Contracting Association;  
The Forestry Industry Development Council;  
The Farming and Wildlife Advisory Group;  
Forestry and Timber Association;  
The Institute of Chartered Foresters;  
The Local Government Association;

The National Farmers Union;  
The National Forest Company;  
The National Trust;  
The National Urban Forestry Unit;  
The Planning Officers Society;  
The Ramblers Association;  
The North West Regional Development Agency;  
The Royal Forestry Society of England, Wales and Northern Ireland;  
The Royal Society for the Protection of Birds;  
The Royal Town Planning Institute;  
The Small Business Service;  
The Small Woods Association;  
The United Kingdom Forest Products Association;  
The Wildlife and Countryside Link;  
The Wildlife Trusts;  
The Woodland Trust;  
and officials from Defra and ODPM.

The Forestry Commission provides the secretariat for the Forum.

### PUBLICATIONS

We published the following titles during the year ending 31 March 2005. Details of all publications can be found on our website at: [www.forestry.gov.uk/publications](http://www.forestry.gov.uk/publications) and many titles can be viewed and downloaded free of charge.

Forestry Statistics 2004 £15.00

Forestry Facts and Figures 2004 free

### PRACTICE GUIDES

Creating new broadleaved woodland by direct seeding £6.00

### TECHNICAL GUIDES

Winching operations in forestry: tree takedown and vehicle debogging £6.00

### TECHNICAL NOTES

8. Excavator mound spacing on restocking sites free

### RESEARCH PAPERS

Open space and social inclusion: local woodland use in central Scotland £9.50

Managing woodlands and their mammals £12.50

Social science in forestry - Public participation and partnership £5.50

### INFORMATION NOTES (ALL FREE OF CHARGE)

6. Phytophthora disease of alder (3rd edition)

57. Conservation of black poplar (Populus nigra L.)

58. The products of conifer tree breeding in Britain

59. Advances in biotechnology: powerful tools for tree breeding and genetic conservation

60. International markets in wood products

61. Managing the threat to restocking posed by the large pine weevil, *Hylobius abietis*: the importance of time of felling of spruce stands

62. Forest condition 2003

63. Managing light to enable natural regeneration in British conifer forests

64. 'Proving it!' Evidence gathering for forest managers

### OTHER

Managing the pinewoods of Scotland £25.00

Life cycle assessment for construction products free

Sustainable forestry in brief: social and environmental benefits of forestry free

### ORDERING PUBLICATIONS

To order copies of Forestry Commission publications, please contact:

Forestry Commission Publications  
PO Box 25  
Wetherby, Yorkshire LS23 7EW

Telephone: 0870 121 4180

Fax: 0870 121 4181

E-mail: [forestry@twoten.press.net](mailto:forestry@twoten.press.net)

### AREA OF PLANTING BY PRIVATE WOODLAND OWNERS FOR WHICH GRANTS WERE PAID IN THE YEAR ENDING 31 MARCH 2005

Hectares

	ENGLAND			WALES			SCOTLAND			GREAT BRITAIN		
	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total
<b>Woodland Grant Scheme</b>												
Conifer	176	337	513	13	158	171	1,027	612	1,639	1,216	1,107	2,323
Broadleaved	4,483	503	4,986	521	112	633	3,061	345	3,406	8,065	960	9,025
<b>Scottish Forestry Grant Scheme</b>												
Conifer							838	2,710	3,548	838	2,710	3,548
Broadleaved							721	526	1,247	721	526	1,247
<b>TOTAL</b>	<b>4,659</b>	<b>840</b>	<b>5,499</b>	<b>534</b>	<b>270</b>	<b>804</b>	<b>5,647</b>	<b>4,193</b>	<b>9,840</b>	<b>10,840</b>	<b>5,303</b>	<b>16,143</b>

Notes:

1. The figures include new planting grant-aided in association with the Farm Woodland Premium Scheme administered by the Agriculture Departments.
2. The areas of new planting and restocking include those areas where the second instalment of grant for Natural Regeneration has been paid.
3. The GB area of new planting includes 47 hectares of Short Rotation Coppice which was grant-aided.
4. The SFGS restocking figure includes 1,618 hectares of planting under the transitional arrangements



### AREA OF PLANTING BY PRIVATE WOODLAND OWNERS FOR WHICH GRANTS WERE PAID IN THE 20 YEAR PERIOD 1 APRIL 1985 TO 31 MARCH 2005

Hectares

Year ended 31 March	ENGLAND			WALES			SCOTLAND			GREAT BRITAIN		
	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total
1986	984	2,346	<b>3,330</b>	743	434	<b>1,177</b>	17,292	1,559	<b>18,851</b>	19,019	4,339	<b>23,358</b>
1987	1,219	2,644	<b>3,863</b>	708	280	<b>988</b>	17,220	1,547	<b>18,767</b>	19,147	4,471	<b>23,618</b>
1988	1,679	2,718	<b>4,397</b>	945	476	<b>1,421</b>	21,197	1,660	<b>22,857</b>	23,821	4,854	<b>28,675</b>
1989	1,752	2,330	<b>4,082</b>	923	256	<b>1,179</b>	22,433	2,248	<b>24,681</b>	25,108	4,834	<b>29,942</b>
1990	3,366	3,871	<b>7,237</b>	552	270	<b>822</b>	11,488	1,984	<b>13,472</b>	15,406	6,125	<b>21,531</b>
1991	4,363	3,970	<b>8,333</b>	510	296	<b>806</b>	10,563	2,840	<b>13,403</b>	15,436	7,106	<b>22,542</b>
1992	3,966	4,042	<b>8,008</b>	356	579	<b>935</b>	9,825	3,210	<b>13,035</b>	14,147	7,831	<b>21,978</b>
1993	5,052	3,811	<b>8,863</b>	429	654	<b>1,083</b>	9,814	3,609	<b>13,423</b>	15,295	8,074	<b>23,369</b>
1994	6,091	3,700	<b>9,791</b>	626	441	<b>1,067</b>	9,180	4,314	<b>13,494</b>	15,897	8,455	<b>24,352</b>
1995	4,997	2,475	<b>7,472</b>	554	626	<b>1,180</b>	12,577	3,068	<b>15,645</b>	18,128	6,169	<b>24,297</b>
1996	4,338	1,972	<b>6,310</b>	442	620	<b>1,062</b>	10,195	3,169	<b>13,364</b>	14,975	5,761	<b>20,736</b>
1997	4,348	2,027	<b>6,375</b>	411	814	<b>1,225</b>	11,212	3,692	<b>14,904</b>	15,971	6,533	<b>22,504</b>
1998	4,123	1,984	<b>6,107</b>	485	804	<b>1,289</b>	11,304	2,737	<b>14,041</b>	15,912	5,525	<b>21,437</b>
1999	4,875	1,726	<b>6,601</b>	629	802	<b>1,431</b>	10,410	2,958	<b>13,368</b>	15,914	5,486	<b>21,400</b>
2000	5,414	1,414	<b>6,828</b>	744	813	<b>1,557</b>	10,363	3,083	<b>13,446</b>	16,521	5,310	<b>21,831</b>
2001	5,365	1,708	<b>7,073</b>	447	759	<b>1,206</b>	11,627	3,561	<b>15,188</b>	17,439	6,028	<b>23,467</b>
2002	4,324	949	<b>5,273</b>	270	757	<b>1,027</b>	7,880	2,884	<b>10,764</b>	12,474	4,590	<b>17,064</b>
2003	4,592	965	<b>5,557</b>	329	713	<b>1,042</b>	6,634	3,489	<b>10,123</b>	11,555	5,167	<b>16,722</b>
2004	3,995	758	<b>4,753</b>	469	420	<b>889</b>	6,703	3,618	<b>10,321</b>	11,167	4,796	<b>15,963</b>
2005	4,659	840	<b>5,499</b>	534	270	<b>804</b>	5,647	4,193	<b>9,840</b>	10,840	5,303	<b>16,143</b>

Notes:

1. In last year's report the 2004 figures for England were reported on a resource accounting basis (ie date of claim). To provide better comparisons they are now shown based on payment year.
2. This table includes planting grant-aided under the Woodland Grant Scheme in association with the Farm Woodland and the Farm Woodland Premium Schemes administered by the Agriculture Departments.

# Tables

## Table 3

### AREA OF MANAGEMENT GRANT FOR WHICH GRANT WAS PAID IN THE YEAR ENDED 31 MARCH 2005

Hectares

	ENGLAND	WALES	SCOTLAND	GREAT BRITAIN
Standard MG	6	-	82	88
Special MG	74	-	252	326
Annual MG	155,672	8,176	30,665	194,513
Woodland Improvement Grant	12,403	11,795	16,978	41,176
Livestock Exclusion Annual Premium	2,548	825	8,685	12,058
<b>TOTAL</b>	<b>170,703</b>	<b>20,796</b>	<b>56,662</b>	<b>248,161</b>



### AREA APPROVED FOR MANAGEMENT GRANT UNDER THE WOODLAND GRANT SCHEME

Hectares

	ENGLAND	WALES	SCOTLAND	GREAT BRITAIN
<b>1995-96</b>				
Conifer	4,478	1,164	9,136	14,778
Broadleaved	15,545	1,353	4,322	21,220
<b>Total</b>	<b>20,023</b>	<b>2,517</b>	<b>13,458</b>	<b>35,998</b>
<b>1996-97</b>				
Conifer	3,257	458	5,103	8,818
Broadleaved	12,679	1,295	4,946	18,920
<b>Total</b>	<b>15,936</b>	<b>1,753</b>	<b>10,049</b>	<b>27,738</b>
<b>1997-98</b>				
Conifer	5,900	885	5,808	12,593
Broadleaved	18,474	1,189	3,890	23,553
<b>Total</b>	<b>24,374</b>	<b>2,074</b>	<b>9,698</b>	<b>36,146</b>
<b>1998-99</b>				
Conifer	6,205	820	6,594	13,619
Broadleaved	24,556	1,523	3,552	29,631
<b>Total</b>	<b>30,761</b>	<b>2,343</b>	<b>10,146</b>	<b>43,250</b>
<b>1999-00</b>				
Conifer	8,563	908	5,396	14,867
Broadleaved	24,893	1,018	4,349	30,260
<b>Total</b>	<b>33,456</b>	<b>1,926</b>	<b>9,745</b>	<b>45,127</b>
<b>2000-01</b>				
Conifer	4,920	445	6,323	11,688
Broadleaved	18,519	1,437	2,590	22,546
<b>Total</b>	<b>23,439</b>	<b>1,882</b>	<b>8,913</b>	<b>34,234</b>
<b>2001-02</b>				
Conifer	4,578	493	3,051	8,122
Broadleaved	15,394	963	2,058	18,415
<b>Total</b>	<b>19,972</b>	<b>1,456</b>	<b>5,109</b>	<b>26,537</b>
<b>2002-03</b>				
Conifer	3,481	506	2,803	6,790
Broadleaved	15,709	809	3,174	19,692
<b>Total</b>	<b>19,190</b>	<b>1,315</b>	<b>5,977</b>	<b>26,482</b>
<b>2003-04</b>				
Conifer	8,265	387	2,993	11,645
Broadleaved	30,240	653	1,328	32,221
<b>Total</b>	<b>38,505</b>	<b>1,040</b>	<b>4,321</b>	<b>43,866</b>
<b>2004-05</b>				
Conifer	5,947	81	802	6,830
Broadleaved	24,475	146	245	24,866
<b>Total</b>	<b>30,422</b>	<b>227</b>	<b>1,047</b>	<b>31,696</b>

### FOREST ENTERPRISE ENGLAND SUMMARY OF KEY PERFORMANCE MEASURES 2004-05

<b>Sustainable Forest Management</b>	<b>Target for 2004-05</b>	<b>Achieved</b>
Percentage of forest estate certified as sustainably managed.	100%	100%
Percentage of estate managed in accordance with approved Forest Design Plans.	87%	88%
<b>Social</b>		
Increase in area of forest estate with public access.	150 hectares	339 hectares
Area of new woodland created in priority areas for improving the environment of disadvantaged urban communities.	46 hectares (gross)	44 hectares (target not met due to discovery of Great Crested Newts on one planting site).
<b>Economic</b>		
Percentage of the annual timber increment which is harvested.	74% <sup>23</sup>	79%
Income generated from sources other than timber production and sales of land and property.	£16m	£19.4m
<b>Environmental</b>		
Percentage of SSSIs in favourable or recovering condition. <sup>24</sup>	73%	73%
Progress with implementing relevant UK Biodiversity Action Plan targets.	Thin 700 hectares of plantations on ancient woodland sites to improve their condition.	5,600 hectares thinned.
<b>Operational</b>		
Cost per cubic metre of timber production.	£13.55	£13.54
Profit/(loss) on timber operations.	£5.0m	£6.4m profit
Number of reportable accidents per hundred employees.	1.80	1.30
Rate of return from capital invested in the 'Forest Holidays' business.	7.5%	7.1%
Percentage of customers and community partners "satisfied".	Key sites will achieve an average satisfaction score >0. <sup>25</sup>	All sites exceeded 0.85.

23. Defined as volume harvested / volume growth on FE estate as estimated by the National Inventory of Woodlands and Trees (1,934,000 m<sup>3</sup> softwood).

24. Assessment of condition is carried out on a 6 year cycle by English Nature. We are aiming to have 95% in favourable condition by 2010 (dependent on funding).

25. The customer satisfaction score ranges from -2 (much worse than expected) to +2 (much better than expected).

### PERFORMANCE AGAINST THE SPENDING REVIEW 2002 SERVICE DELIVERY AGREEMENT TARGETS

Target Description	Expected Performance 1 April 2003 to 31 March 2006	Actual performance at 31 March 2005 and comments	Progress to Target
<b>Sustainable Development</b>			
1 Trends in specified UK Indicators of Sustainable Forestry in SR2002 period.	Positive trends in: A2 – new woodland creation.	Flat based on latest available data (March 2004).	SOME SLIP
	A6 – area of sustainably managed woodland.	Positive for certified area based on latest available data (March 2004).	ON COURSE
	D3 – timber production and availability.	Production: Positive based on latest available provisional data for GB (March 2004).	ON COURSE
		Availability: Positive based on the GB softwood data published in 2001.	ON COURSE
	E3 – public awareness.	Media: negative based on 2003 Public Opinion Survey.	SOME SLIP
Public perception: latest available data (2003 Public Opinion Survey) is not directly comparable with earlier data but no negative trend evident.		ON COURSE	
2 Expressions of the England Forestry Strategy for each region.	9 Regional Forestry Frameworks by 2004.	By 31 March all regions had completed public consultation processes and five had launched final publications. Four regions are now waiting to hold their publication launch events in May - July.	SOME SLIP
3 Area of new woodlands created.	15,000 hectares.	9,787 hectares. Shortfall in economic regeneration area has impacted this target. <sup>26</sup>	SOME SLIP
4 Area of woodland certified against the UK Woodland Assurance Standard.	350,000 hectares.	339,141 hectares (latest figure available).	ON COURSE
<b>Rural Development</b>			
5 Percentage of annual timber growth harvested each year.	38%.	37%.	ON COURSE
6 Baseline study to establish the confidence of woodland and forestry related businesses.	Baseline study and target for improvement.	Final report published on the Forestry Commission website.	ON COURSE
<b>Economic Regeneration</b>			
7 Area of new woodland created in priority areas.	2,700 hectares.	1,213 hectares.	SOME SLIP
<b>Recreation, Access and Tourism</b>			
8 Increase in area of woodlands with public access in priority areas in relation to the 2003 baseline study.	10,000 hectares.	11,657 hectares increase.	AHEAD
9 Increase the number of day visits to woods and forests.	To 350 million by 2006.	Survey work has started and will take 12 months to complete. Results available in 2006.	NOT YET AVAILABLE

26. Note: this area is based on payments recorded on the resource accounting basis and not cash.

# Tables

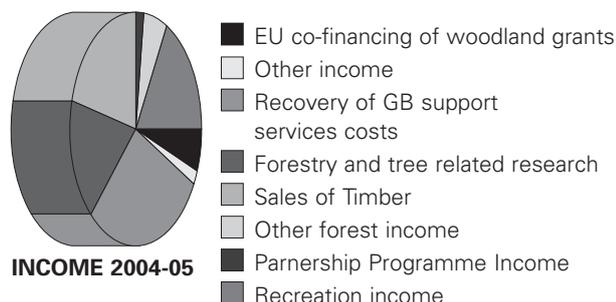
## Table 5

<b>Conservation and Environment</b>				
10	Percentage of all SSSIs where the Forestry Commission has statutory responsibilities in favourable condition.	95% by 2010.	Latest figures to the end of March show 75% in favourable condition.	ON COURSE
11	Lead implementation of the UK Biodiversity Habitat Action Plans for woodlands in England.	Delivery by 2015.	Ancient and native woodland policy was completed and endorsed by the National Committee. Review of all woodland Habitat Action Plan targets was initiated for completion by end 2005.	ON COURSE
12	Number of woodland birds as measured annually against underlying trends using the Woodland Birds Index.	Long-term decline reversed by 2020.	Latest figures show no further decline. However this is a single set of data and may not represent longer-term trends. Research on individual threatened species (e.g. Nightjar) is ongoing.	ON COURSE
<b>Value for money</b>				
	Unit cost of administering grant aid.	16p/£ by 2006.	Costs not available until GLADE system implemented but are currently above target.	SOME SLIP
13	Compliance with the Forestry Commission Customer Service Standard for the Woodland Grant Scheme.	85%.	78%.	SOME SLIP
	Percentage electronic service delivery capability for such payments.	100% by 2005.	Available when GLADE system implemented in June 2005.	ON COURSE
14	Unit cost of producing a cubic metre of timber on the Forestry Commission estate.	£13.55/m <sup>3</sup> by 2006.	£13.52/m <sup>3</sup> .	AHEAD

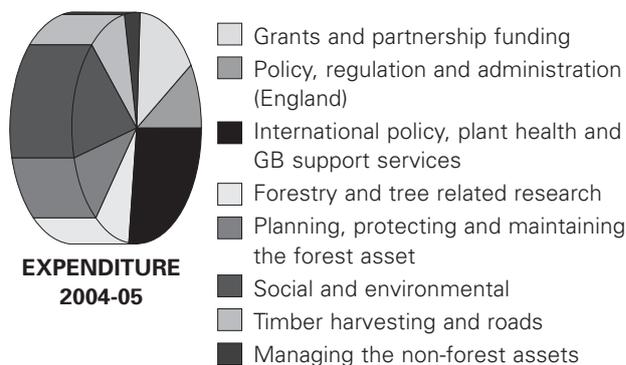
# Financial Highlights

## SUMMARY INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

	2004-05	2003-04
	£000	£000
<b>INCOME</b>		
<b>Forestry Commission</b>		
EU co-financing of woodland grants	4,907	5,116
Partnership programme income	1,385	1,570
Other income	1,710	2,199
Recovery of GB support services costs	24,238	21,502
<b>Forest Research</b>		
Forestry and tree related research	13,602	12,837
<b>Forest Enterprise</b>		
Sales of Timber	17,347	16,835
Other forest income	5,154	4,543
Recreation income	14,001	12,483
	82,344	77,085



	2004-05	2003-04
	£000	£000
<b>EXPENDITURE</b>		
<b>Forestry Commission</b>		
Grants and partnership funding	21,247	21,934
Policy, regulation and administration (England)	12,708	11,567
International policy, plant health and GB support services	38,194	37,152
<b>Forest Research</b>		
Forestry and tree related research	13,220	12,427
<b>Forest Enterprise</b>		
Planning, protecting and maintaining the forest asset	14,694	15,102
Social and environmental	24,907	20,803
Timber harvesting and roads	12,259	12,367
Managing the non-forest assets	5,404	8,137
	142,633	139,489
<b>Net expenditure for the year</b>	<b>(60,289)</b>	<b>(62,404)</b>



## SUMMARY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	2004-05	2003-04
	£000	£000
<b>Net expenditure for the year</b>	<b>(60,289)</b>	<b>(62,404)</b>
Depreciation and other non-cash items	3,649	7,659
Movement in working capital	(5,156)	(2,689)
Movement in provision and liabilities	(1,383)	(478)
<b>Net cash flow from operating activities</b>	<b>(63,179)</b>	<b>(57,912)</b>
New planting	(907)	(1,122)
Purchase of fixed assets	(4,142)	(5,517)
Net proceeds from disposal of fixed assets	5,480	1,537
<b>Funding from UK Government</b>	<b>(62,748)</b>	<b>(63,014)</b>

## SUMMARY BALANCE SHEET AS AT 31 MARCH 2005

	2004-05	2003-04
	£000	£000
Fixed assets	453,653	415,602
Debtors falling due after more than one year	361	512
Current assets	19,889	16,418
Creditors: amounts falling due within one year	(16,680)	(14,281)
Net current assets	3,209	2,137
Creditors: amounts falling due after more than one year	(1,833)	(1,942)
Provision for liabilities and charges	(1,967)	(2,951)
<b>Total assets less liabilities</b>	<b>453,423</b>	<b>413,358</b>
<b>Capital and reserves</b>	<b>453,423</b>	<b>413,358</b>

# Great Britain & England

## Resource Accounts 2004-05

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## SCOPE

### 1. BASIS OF ACCOUNTS

These accounts are prepared in accordance with a direction given by HM Treasury in pursuance of section 5(2) of the Government Resources and Accounts Act 2000.

### 2. DEPARTMENTAL ACCOUNTING BOUNDARY

The Forestry Commission Great Britain/England Resource Accounts incorporate the following entities within the departmental boundary funded by the Westminster Parliament:

- Forestry Commission England.
- Forestry Commission Great Britain.
- Forest Research Agency.

Forest Enterprise England, an executive agency of Forestry Commission England, is a public corporation for national accounting. Accordingly, it is outside the departmental boundary for resource accounting with the net funding reflected in these accounts. Forestry Commission Scotland and Forestry Commission Wales each produce their own Resource Accounts.

From 1 April 2004, the Forestry Commission Main Estimate for Westminster was split into two Requests for Resources (RfRs) to separate the responsibilities of England and Great Britain. The full descriptions of the RfRs are:

- RfR1 - To implement the programmes of the England Forestry Strategy

- RfR2 - To take the lead in the development and promotion of sustainable forest management and to support its achievement nationally.

### 3. STATUS

Forestry Commission England came into being on 1 April 2003 as a result of the Forestry Devolution Review, the recommendations of which were agreed by Forestry Ministers in Scotland, England and Wales. It is principally responsible to the Secretary of State for Environment, Food and Rural Affairs for leading the delivery of policy for forests, woodlands and associated businesses, including:

- The delivery of forestry programmes.
- Provision of expert advice and high quality research.

A Concordat came in to force on 25 April 2005 which sets out a Framework for Forestry Commission England and the Department for Environment, Food and Rural Affairs (Defra) to work together to develop and deliver forestry policy. It builds on a previous Pathfinder Concordat which was promulgated following the 2002 Forestry Devolution Review and has been evolved in the light of the Modernising Rural Delivery Review. The Concordat is not legally binding and it does not override the statutory duties or powers of either department. Rather, it is a statement of the principles which will guide relations between the Forestry Commission England and Defra. This will ensure sufficient communication and co-ordination to enable each to discharge their respective responsibilities effectively and efficiently. The Concordat respects the continuing distinction between the statutory

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functions of the Forestry Commissioners and those conferred on the Secretary of State for Environment, Food and Rural Affairs in respect of forestry matters.

Forestry Commission England remains part of the Forestry Commission. The legislative framework for forestry is principally the Forestry Acts 1967, 1979 and 1981, the Plant Health Act 1967, the Countryside Act (Scotland) 1967 and the Countryside Act 1958. The Government of Wales Act 1998, the Scotland Act 1998, and the subsequent statutory instruments, specified the Forestry Commission as a cross-border public authority. The legislation transferred the Ministers' responsibilities for forestry in Scotland and Wales to the Scottish Ministers and the National Assembly for Wales respectively, transferred ownership of land and property, and made various other changes to devolve forestry to Scotland and Wales.

The Forestry Commission's Great Britain functions cover international forestry policy, cross-cutting issues such as sustainable development, climate change, sustainable forest management, plant health, forest reproductive materials, research, statistics and trade, together with corporate matters in respect of the Forestry Commission's role as a Government Department. England's interests in such matters are safeguarded by Forestry Commission England being represented on the Board of the Forestry Commission and also at the Forestry Ministers' Group where policy on reserved matters is discussed.

The Forestry Commission has no policy responsibility for any non-departmental public body.

#### 4. RESPONSIBILITIES

Forestry Commission England has three main functions:

- Supporting Ministers and advising on the development and delivery of forestry policy;
- Regulating and supporting, through grant aid, the forestry sector to deliver public benefits in accordance with the Forestry Acts;
- Managing, through Forest Enterprise England, the public forest estate placed at the disposal of Forestry Commissioners.

In the wider context, a number of the Forestry Commission's functions are operated by agreement on a Great Britain basis and funded directly by Westminster. These include:

- European and International Forestry Policy – Working with other departments, a team formulates UK policy in international negotiations, develops the UK's national forest programme and advises on implementation of international and European obligations;
- Plant Health and Forest Reproductive Materials – The Plant Health Unit has the vital task of preventing entry of harmful pests and diseases from overseas. It also controls the marketing of forest seed, cones, cuttings and plants by approving basic material (e.g. stands, seed orchards), certifying reproductive material and inspecting the nursery trade;
- Forest Research – The Agency is a centre of excellence for scientific expertise in

forestry. Along with external providers, it looks at issues such as sustainable forest management, climate change, biodiversity, woodland inventory, forest condition and threats to tree health, ways of measuring the social and environmental benefits of woodlands and improving the economic potential of home-grown timber;

- Setting and Monitoring Standards of Sustainable Forest Management – Developing the UK Forestry Standard setting out how the principles of sustainable forest management will be delivered in practice against international agreed criteria. The work includes monitoring the state of the UK forestry sector against UK Indicators of Sustainable Forestry published in 2002 and supporting the UK Woodland Assurance Standard which provides for the independent certification of forest management in the UK.

### 5. AIM AND OBJECTIVES

The aim and objectives of Forestry Commission England flow from the England Forestry Strategy and from the wider objectives of Ministers. The Strategy is based on four key programmes which reflect wider policy objectives. The four programmes set out below are not mutually exclusive:

- to increase the contribution of forests and woodlands to local economies and rural development (Forestry for Rural Development Programme);
- to expand the role of woodlands in supporting the economic regeneration of former industrial land and disadvantaged communities (Forestry for Economic Regeneration Programme);

- to promote public access to woods and forests and develop diverse recreational opportunities (Forestry for Access, Recreation and Tourism Programme); and
- to conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands (Forestry for the Environment and Conservation Programme).

Through its powers and duties set out in the various Acts, the objective of the Forestry Commission for its Great Britain activities is *“On behalf of all three administrations, to take the lead in development and promotion of sustainable forest management and to support its achievement nationally”*.

The Forest Research Agency has its own specific aims and objectives, drawn up in the context of the wider Forestry Commission aims and objectives. They are set out in the Agency’s Framework Document published in September 2003 and available on the Forestry Commission website at [www.forestry.gov.uk](http://www.forestry.gov.uk).

### 6. DEPARTMENTAL REPORT

The Departmental Report 2005 for Defra was published in May 2005. Chapter 5 of the report gives an overview of the activities of Forestry Commission Great Britain/England over 2004-05 and looks ahead to what it aims to achieve, including its resource plans for 2005-06 and 2006-07. The latest Corporate Plan for England and Great Britain covers 2005-06 and is available on the Forestry Commission website at [www.forestry.gov.uk](http://www.forestry.gov.uk).

### 7. POST-BALANCE SHEET EVENTS

There are no post-balance sheet events.

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### OPERATING AND FINANCIAL REVIEW

#### 8. THE BUSINESS, ITS OBJECTIVES AND STRATEGY

##### Forestry Commission England

Forestry Commission England is principally responsible to the Secretary of State for Environment, Food and Rural Affairs for leading the delivery of policy for forests, woodlands and associated businesses. The Forestry Commission has a National Committee for England which gives strategic direction to all its activities and which ensures that the Secretary of State's requirements are met. The aims and objectives of Forestry Commission England flow from the England Forestry Strategy and from the wider objectives of Ministers.

England is one of the least wooded countries in the world and its woodland resource is one of the most intensively used. Of the woodland resource in England, 19% is owned or leased by the Forestry Commission and managed by Forest Enterprise England. A diverse range of other public bodies, charities and private owners owns the remainder. Half of the woodland area is currently the subject of active management plans agreed with Forestry Commission England. The potential of woodlands to contribute towards sustainable development priorities has not yet been fully realised. The four key programmes of the England Forestry Strategy are designed to tackle this challenge. Their effective interaction in accordance with the principles of sustainable forest management will support more woodlands across England, producing a wide range of public benefits. The strategic priorities for sustainable forest management are to:

- Increase awareness of how woodlands can help sustainable development and sustainable communities;
- Support the active management of woodlands to deliver public and private benefits;
- Increase understanding of woodlands contribution towards protecting the wider environment;
- Promote awareness about sustainable forest management principles and the UK Forestry Standard;
- Involve more woodland owners and wood users in implementing the England Forestry Strategy;
- Promote the preparation and implementation of long-term woodland plans;
- Use the public forest estate as an exemplar of sustainable forest management.

Woodlands provide significant income and work opportunities in many rural areas. Over 14,000 people are currently directly engaged in forestry and related wood-processing industries, woodland recreation and wildlife conservation work. Many more jobs are supported in the tourist industry by visitors to woodland attractions. Forestry Commission England's priorities are to increase the contribution trees, woods and woodland based businesses make to the sustainable development of rural areas by:

- Strengthening the England forest industry's competitiveness and its sustainable development;

- Encouraging the development of new markets;
- Fostering the use of wood as a source of renewable energy;
- Helping woodland-related businesses through advice and training;
- Helping land owners to utilise farm woodlands and diversify into forestry; and
- Using Forest Enterprise England as an exemplar for sustainable rural development.

The Economic Regeneration Programme supports the government's wider policies for the regeneration and sustainable development of urban areas. Forestry Commission England utilises a suite of delivery mechanisms to promote and support the development and delivery of the programme. These include regional forestry frameworks, the England Woodland Grant Scheme, Forest Enterprise England, the Land Restoration Trust, and other partnership working. The aim is to use woodlands to support the Government's sustainable communities by:

- Promoting trees and woodlands as a critical component of green infrastructure planning;
- Increasing the role of trees and woodlands in and around towns and cities;
- Adding value to the work of the Government's regeneration agencies;
- Promoting the value of community forests and continuing to support existing community forests;

- Promoting long-term support and management to secure enduring public benefits.

England's forests and woodlands are a major resource for recreation, tourism and sport. In addition to the public forest estate, about 350,000 hectares of woodland currently provide access as part of plans agreed with Forestry Commission England. The aim is to use woodlands to deliver the Government's access and recreation policies realising the wider benefits from these activities by:

- Increasing access closer to where people live with more convenient access providing opportunities for all;
- Improving the information about access and recreational opportunities;
- Encouraging community participation in the planning, creation and sustainable management of woodlands;
- Promoting the benefits trees and woodlands bring to health and education;
- Advising landowners on recreational opportunities in woodlands;
- Enhancing the contribution made by the public forest estate.

Trees and woodlands play a critical role in the environment. They absorb carbon dioxide, protect natural resources and provide habitats for wildlife. They are also vital components of England's diverse and distinctive landscapes which contain a wealth of heritage and archaeological evidence. Managing existing

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and creating new woodland can help to protect vulnerable habitats and species, contribute to the finest designated countryside and improve the wider environment. Forestry Commission England aims to ensure that woodlands play a full role in delivering the Government's environmental policies by:

- Protecting the existing woodland resource, particularly ancient or semi-natural woodland;
- Enhancing the ecological 'condition' of woodland and conserving priority species associated with it;
- Improving the contribution of woodland, particularly those rich in wildlife, to people's quality of life;
- Increasing understanding of how woodlands protect the environment and fostering its ability to do so;
- Strengthening the contributions of woodlands to National Parks and Areas of Outstanding Natural Beauty;
- Ensuring that both new and existing woodlands help conserve and improve landscape character;
- Raising awareness and appreciation of woodland cultural heritage and protecting archaeological sites;
- Developing the public forest estate as an exemplar.

The National Office for England is based in Cambridge and is responsible for leading

implementation of the Government's Forestry Strategy for England. The National Office is supported by 9 Conservancies (regional offices) which are responsible for carrying out regulatory and grant support functions and connecting the England Forestry Strategy to the distinctive needs of the regions.

### **Forestry Commission Great Britain**

Forestry Commission England is part of the wider Forestry Commission, a Great Britain cross-border department responsible for forestry matters and which has a Board of Commissioners with duties and powers prescribed by statute. The Secretary of State for Environment, Food and Rural Affairs has overall responsibility for UK forestry interests within the European Union and for international negotiations on forestry, including the formulation of UK policy. The Secretary of State consults with Scottish Ministers, the National Assembly for Wales and the Northern Ireland Assembly on UK-wide issues.

The Forestry Commission is leading the Government's efforts to implement the forestry commitments made at the World Summit on Sustainable Development (WSSD). The Government is working with the forestry industry, environmental groups and the devolved administrations in the UK Forest Partnership for Action to promote sustainable development in the forestry sector. The Forestry Commission is supporting the forestry industry in maintaining and monitoring its sectoral sustainability strategy covering the whole wood chain.

The United Nations has established a Forum on Forests with the aim of promoting the implementation of sustainable forest

management worldwide. In close consultation with other Government departments, the Forestry Commission ensures that the UK is both a leading proponent and a leading exemplar of sustainable forest management through its contributions to key international events.

The UK has made international commitments to the principles of sustainable forest management which are set out in the UK National Forest programme, published in 2003 and the UK Forestry Standard, first published in 1998 and revised and republished in 2004. The Standard provides a flexible framework for enabling a range of approaches to sustainable forest management which respond to the specific needs of country forestry strategies. It also explains what the commitments mean in practice and provides a mechanism for ensuring they are consistently applied. The Forestry Commission is responsible for monitoring the state of UK forestry against criteria and indicators in the Standard and refining guidance on the regulatory framework.

The UK Woodland Assurance Standard (UKWAS), launched in 1999 and chain of custody certification provide the opportunity for woodland owners to demonstrate to consumers that timber comes from sustainably managed forests. Over 1.6 million hectares of woodland have now been certified against UKWAS in Great Britain including the entire Forestry Commission estate.

The Forestry Commission's Plant Health Service operates throughout Great Britain. With support from Forest Research, it has the vital task of preventing entry of pests and diseases from overseas which could harm

woodlands and controlling the spread of any that may become established. The risk of the introduction of pests and diseases increases with the level of trading in a global market.

The Forestry Commission spends 90% of its research budget with its research Agency, Forest Research. The Agency is the UK's only multi-disciplinary research agency dedicated to forestry research and is the principal provider of research and scientific advice. The other 10% is spent with external providers in order to:

- Promote interest in and knowledge of sustainable forest management in the wider research community;
- Engage in partnerships with other funders;
- Secure specialist expertise and competencies not available from Forest Research;
- Remain open to new or alternative ideas and to test the market.

More information on the work of Forest Research is available on the Forestry Commission website at [www.forestry.gov.uk](http://www.forestry.gov.uk).

## 9. OPERATING REVIEW

### Forestry Commission England

The England Rural Development Programme (ERDP) sets out the Government's support for agriculture, forestry and the rural economy over the period 2000-06. Forestry Commission England's support to the forestry sector includes the Woodland Grant Scheme (WGS), which is part of the ERDP. WGS provides incentives for people to create new woodlands and plan, manage and improve

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existing woodlands. Faced with exceptional demand, Forestry Commission England closed the WGS to new applications with effect from 28 June 2004. The level of applications received, coupled with existing commitments, meant that the limits of funding available in 2004-05 had been reached. At the same time progress on creation and management of woodlands under the ERDP at year five was running ahead of the schedule required to meet the total targets for the seven years of the programme. A new grant scheme, EWGS, was introduced in July 2005.

Forestry Commission England has been working closely with Defra to ensure that the implementation of the 2003 Common Agricultural Policy reforms do not result in effects which may be contrary to the Government's objectives for forestry. In general, woodland will not be covered by the Single Farm Payment, the exceptions being grazed woodland and parkland, but cross compliance rules will have some implications for the management of trees on farms. Woodland creation will still be an eligible use for set aside land. Any woodland established under the England Woodland Grant Scheme or in line with Forestry Environmental Impact Assessment (EIA) Regulations will be exempt from the cross compliance requirement to maintain permanent pasture, as it will be considered an 'environmentally compatible' land use. The Forestry Act and the EIA (Forestry) Regulation 1999 have been included in the list of legislation to be reinforced by cross compliance conditions.

During the year, Regional Forestry Frameworks have been published for a further four regions. These frameworks are regional

expressions of the England Forestry Strategy and are prepared through an inclusive, Government led, regional process in which Forestry Commission England plays a significant part. Their form satisfies the needs of the regional agenda, Government bodies and other key stakeholders and each of those already published is different and distinctive.

Non-timber income streams from game management, holiday accommodation and recreational opportunities are becoming increasingly important to woodland owners and the local economy. This was recognised in the 2004 review of the Rural White Paper 2000 which noted that the opportunities woodlands provide for employment, education, health and recreation need to be exploited, along with efforts to diversify the range of economic goods they provide. A recent study has indicated that economic benefits from non-timber woodland businesses and the green infrastructure value of woodland can be between 9 and 19 times greater than those flowing from the traditional timber supply chain. Forestry Commission England supports a wide range of regional and local partnerships which aim to improve markets for wood, help woodland and forestry based business, capitalise on the non-timber values, and provide opportunities to diversify. Examples include: the South West Forest in Devon, Cumbria Woodlands and the Heartwoods Initiative.

Forestry Commission England has continued to work with the Office of the Deputy Prime Minister (ODPM) to ensure its programmes assist in the delivery of the wider social, environmental and economic objectives contained in the Sustainable Communities

Plan. This was the first full delivery year for the £23 million Newlands 1 Economic Regeneration Scheme, covering Merseyside, Greater Manchester and North Cheshire, funded by the North West Development Agency (NWDA). The scheme is being delivered in partnership with Community Forests, Groundwork and others such as the British Trust for Conservation Volunteers. It will lead to the restoration of 435 hectares of former industrial land by creating community woodlands and form attractive settings to attract and maintain economic investment.

The Countryside and Rights of Way Act 2000 (CROW) made new provisions for dedicating access rights to the countryside; amended the law relating to nature conservation and the protection of wildlife, and made further provision for Areas of Outstanding Natural Beauty. The process of dedicating the Forestry Commission's estate following the introduction of CROW commenced in September 2004. By the year end, 85,000 hectares of the freehold estate had been dedicated for public access and preparation is being made to dedicate the remaining 100,000 hectares by March 2006.

Putting ancient woodland at the heart of forestry policy has required a range of actions. Having secured a two-year secondment from the Woodland Trust, with the support of English Nature, Forestry Commission England has prepared a draft Statement of Policy and accompanying set of draft Management Guidelines for Ancient and Native Woodlands. Forestry Commission England has also worked closely with Defra and ODPM in the preparation of Planning Policy Statement No. 9 and the consultation draft contains a specific

section on protection for ancient woodlands and veteran trees. Similarly, working with Defra, options for management of woodland and ancient trees have been included in the new Environmental Stewardship schemes.

### **Forestry Commission Great Britain**

The objective for the department's activities across Great Britain is to take the lead in development and promotion of sustainable forest management and to support its achievement nationally. The United Nations Forum on Forests (UNFF) provides an important focus to promote sustainable forest management globally and to implement existing commitments. The Forestry Commission led the UK delegation at the fourth session in Geneva in May 2004. Resolutions were adopted on social and cultural aspects of forests, forest-related scientific knowledge, monitoring, assessment and reporting and criteria and indicators, finance and transfer of environmentally-sound technologies, and the review of the effectiveness of the international arrangement on forests.

Within the UK, the Forestry Commission continued to work with others to develop a clear negotiating position to take forward within the European Union to UNFF5, and Ministers endorsed the position in early 2005. The global discussions on the future international arrangements on forests included an experts' meeting in September 2004 at the United Nations Headquarters in New York and a further meeting hosted by the Government of Mexico in January 2005. Both meetings helped to develop options and a shared understanding of the key elements required for an effective arrangement on forests and

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provided an opportunity for the UK to play a lead role in the preparations for UNFF5.

The 17th Commonwealth Forestry Conference took place in Colombo, Sri Lanka from 28 February to 5 March 2005 with the theme 'Forestry's Contribution to Poverty Reduction'. The conference took place at a time of increasing recognition that forestry has a crucial role in sustainable development, and calls were made for a balance between satisfying development needs and ensuring the sustainable use of natural resources. From presentations and subsequent discussions, key issues emerged that formed the basis of the conference resolutions.

Over the year, 1.2 million cubic metres of sawn wood subject to quarantine control were imported and 4,400 inspections were carried out by Plant Health inspectors. During the summer of 2004, the task of identifying and contacting all customers due a refund of charges collected unlawfully was completed. The Plant Health (Export Certification) (Forestry) (Great Britain) Order 2004 came into force on 28 July 2004 and enabled the Forestry Commission to resume charging for this work on a statutory basis.

The research commissioned by the Forestry Commission ranged from development and improvement of working methods to strategic scientific investigations of such issues as climate change and forest hydrology. The research budget also provided for activities undertaken to transfer the results to end-users, including forestry practitioners, policy-makers and other members of the scientific community.

### 10. PERFORMANCE IN THE PERIOD

The Corporate Plan for England and Great

Britain 2005-06 describes the current activities for Great Britain and England, the strategic direction of our work and the specific actions being taken forward in 2005-06. It also includes the Corporate Plan for Forest Enterprise England, which manages the public forest estate. The Corporate Plan includes performance against the targets set as part of Spending Review 2002. The Forestry Commission Great Britain and England Annual Report details achievements against the planned programmes. The programmes were related to the strategic directions set out in the England Forestry Strategy:

- Forestry for Rural Development Programme;
- Forestry for Economic Regeneration Programme;
- Forestry for Access, Recreation and Tourism Programme; and
- Forestry for the Environment and Conservation Programme.

### 11. DYNAMICS OF THE BUSINESS

#### Forestry Commission England

Recent years has seen the launch of new statements of government policy and a major piece of legislation which set the wider context for forestry policy in England. These developments include:

- The England Rural Development Programme which redirects some support for agriculture and forestry, enabling land managers to adapt to changing markets and adopt sustainable production systems which both enhance the countryside and support the wider rural economy. However,

the European Agricultural Fund for Rural Development which is under negotiation will set the framework for support for land management including forestry from 2007 onwards.

- The 2004 Mid Term review of the Common Agricultural Policy has broken the link between production systems and agricultural subsidy. From 1 January 2005, farmers will be able to farm for the market place without affecting the level of subsidy received. This is expected to affect the way in which they manage their land with possible implications for the demand for woodland grants.
- The Countryside and Rights of Way Act which makes new provisions for access to the countryside, amends the law relating to nature conservation and the protection of wildlife, and makes further provision for Areas of Outstanding Natural Beauty.
- The UK Energy White Paper which sets out the Government's approach to Energy Policy and the role of renewable sources of energy.
- The England Biodiversity Strategy which establishes a 'route map' for biodiversity, covering all sectors and stressing the economic importance of biodiversity and its contribution to quality of life in both urban and rural areas.
- "Sustainable Communities: building for the future", which sets out a long-term programme, building on the Urban and Rural White Papers, to create more liveable cities and sustainable communities.
- The Game Plan which establishes targets to get 70% of the population physically active by 2020.

The Rural Strategy 2004, published by Defra set out the Government's rural policy priorities. For the first time, forestry is an explicit thread running through rural policy. Taken together, the England Forestry Strategy and Defra's Sustainable Farming and Food Strategy cover England's main land uses, with key roles in sponsoring the forest industry, protecting natural resources, and shaping the character of the countryside and its capacity to support sustainable development. The main implications for forestry in the Rural Strategy are:

- Transfer of lead responsibility for strategic forestry policy in England to Defra so that forestry is considered as part of an integrated approach to delivering public benefits from land management;
- Transfer of lead responsibility for the delivery of forestry policy in England from Defra to Forestry Commission England. This will help the Government focus its resources to better ensure that the vision of the England Forestry Strategy continues to be implemented effectively;
- The Forestry Commission will become a close working partner of the new agency 'Natural England' once it is formally established. The two organisations will align their delivery functions to provide greater benefits to people and the environment. Forestry Commission England will also work with Natural England to modernise and streamline organisational arrangements for more effective and efficient delivery of rural policy objectives.

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Forestry Commission England has been working closely with Defra on the 'Modernising Rural Delivery' programme to implement the recommendations of the Rural Strategy. The main areas of work have been:

- Legislation – contribution to the draft Natural Environment and Rural Communities Bill which will establish Natural England and enable its functions to be delegated to delivery bodies, including Forestry Commission England;
- Rural Funding – preparation to rationalise the large number of separate rural funding streams to a framework around three major funds. The England Woodland Grant Scheme would be part of one of these funds. Implementation will be completed by January 2007 when new funding arrangements under the new Rural Development Regulation are put in place;
- Natural England – preparation for close collaborative working between Natural England and Forestry Commission England. Areas for closer collaboration being considered include the alignment of delivery functions, seeking integrated approaches to land management, the establishment of "first stop shops", and sharing offices and specialist staff.

Following independent audit against the UK Woodland Assurance Standard, Forestry Commission England has received renewal of its Forest Stewardship Council (FSC) Certification for the public forest estate. The audit report was very positive and gave credit for outstanding achievement in a number of areas, including the National

Arboreta that were included in the certification process for the first time.

### **Forestry Commission Great Britain**

The Forestry Commission continues to seek a private partner to modernise its Forest Holidays business through a public private partnership. Forest Holidays operates throughout Great Britain and currently has 3 self-catering log cabin sites and 21 campsites, providing 141 self-catering units and over 5,000 touring pitches.

Two pathogens have been identified which offer a threat to Forestry Commission woodlands. The first, 'Phytophthora ramorum', referred to as 'Sudden Oak Death' in California, was first detected in a Sussex garden centre in 2002. An intensive survey carried out during 2004 did not show any evidence of it in established woodlands which does suggest it is not widespread but the Forestry Commission continues to work with Defra and the Scottish Executive Environment and Rural Affairs Department (SEERAD) to contain and eradicate the disease wherever it is found. During surveys in Cornwall a new and previously unrecorded Phytophthora, to be named 'Phytophthora kernoviae', was discovered. A statutory Management Zone has been designated at the main infected area near Redruth in Cornwall.

### **12. INVESTMENT FOR THE FUTURE**

#### **Forestry Commission England**

Forestry Commission England has been a national partner, alongside the Countryside Agency, in the development and delivery of the programme of twelve Community Forests since its inception in the late 1980's.

The original Government commitment to core fund the pilot programme was for ten years to 2005 but an extra two years' funding was announced in March 2004 to facilitate the evolution of the programme to a more regional focus and support framework from April 2007. In this process, each Community Forest is preparing a 'Succession Planning Framework', as a basis for the allocation and management of transition funding through Forestry Commission England Conservancy-based grant agreements. As part of the transition, lead responsibility in Government for community forestry and the twelve forests was vested in the Forestry Commission. This includes oversight and direction of the transitional arrangements.

#### **Forestry Commission Great Britain**

The Forestry Commission is seeking some changes to the Forestry Acts through a Regulatory Reform Order under the Regulatory Reform Act. The changes that are being sought are fairly minor but will in one important area extend the powers of the Commissioners to allow them to enter into Joint Ventures, form companies/trusts and appoint Directors. In addition the opportunity is being sought to allow the commercial exploitation of Forest Research. The consultation process for the Order closed in mid-May and it is hoped that Order will be completed by the end of 2006.

Work continued on the Grants and Licences Administration Delivered Electronically (GLADE) project that will provide all three countries with a new system to handle all Forestry Commission grant schemes. The aim of GLADE is to allow for the electronic exchange of grants and licence applications and grant claims between applicants and the Forestry Commission. This is expected to yield both financial and non-financial benefits to both applicants and Forestry Commission staff alike. Delivery of the new system during 2005 will coincide with the launch of the new grant schemes in England and Wales. The existing Scottish Forestry Grant Scheme will also move onto the GLADE system in early 2007.

### **13. FINANCIAL REVIEW**

Forestry Commission Great Britain/England is net funded, with the Westminster Parliament providing the difference between income raised and expenditure incurred. It operates in accordance with full resource accounting principles and receives funds both in the form of cash and in the form of non-cash charges levelled on the capital value tied up in the public forest estate.

Westminster funding for Forestry Commission Great Britain/England was decided as part of the Government's 2002 Spending Review. The planned sources of income and expenditure up to 2005-06 are shown in the Forestry Commission's Corporate Plan for England and Great Britain Activities 2004-05 to 2005-06. Explanations of the variances between the 2004-05 Budget Estimate and Outturn, in both total resource and net cash terms, are shown as part of Schedule 1, Summary of Resource Outturn, of these Accounts.

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The prime output from Forestry Commission England is to sustain and expand woodlands and woodland services in accordance with the England Forestry Strategy. Much of this is achieved through the payment of grants under the Woodland Grant Scheme (WGS) where overall grants of £19.9 million were paid out in 2004-05, 52 per cent going to new planting and 48 per cent to support the management of existing woodland.

Forest Enterprise England met or exceeded all but two of its key performance targets. The failure against the target for creating woodland in priority areas was due to the discovery of great crested newts on one of the planting sites. Work on this site has been postponed until the impacts on this important species have been assessed and mitigated. Actual return on capital invested in Forest Holidays was 0.4% short of target. 2004-05 saw both buoyant demand and increasing timber prices following a period of depressed values. The relative strength of the currency, world-wide and European demand trends,

availability and cost of shipping, and the health of the UK construction sector have all contributed to the improvement in the market for home-grown timber.

At the Great Britain level, our resources support work that benefits all three countries. The largest component is research and development carried out by Forest Research and by other providers. The remaining expenditure is on protecting Britain's trees from pest and diseases, representing British interests on the international stage, and other Great Britain-wide work including the costs of the Board of Forestry Commissioners, the development of the timber market, and the development and promotion of standards for sustainable forest management.

## MANAGEMENT

### 14. MINISTERS

The Ministers who had responsibility for Forestry Commission Great Britain/England during the year were:

**Rt Hon Margaret Beckett MP**

Secretary of State, Department for Environment, Food and Rural Affairs

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**Ben Bradshaw MP**

Parliamentary Under-Secretary (Commons), Department for Environment, Food and Rural Affairs

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### 15. PERMANENT HEAD OF THE DEPARTMENT AND FORESTRY COMMISSIONERS

The Great Britain Board of Commissioners gives strategic direction to the Forestry Commission and takes decisions on not-devolved or co-ordinated functions. It has a part time non-executive Chairman and the Director General, as Permanent Head of the Department, acts as Deputy Chairman. Commissioners who served during the year were:

#### Chairman

Rt. Hon Lord Clark of Windermere

#### Executive Forestry Commissioners

Tim Rollinson	Director General and Deputy Chairman *
Bob McIntosh	Director, Forestry Commission Scotland *
Simon Hewitt	Director, Forestry Commission Wales *
Paul Hill-Tout	Director, Forestry Commission England *

#### Non-executive Forestry Commissioners

Anthony Bosanquet	Commissioner for Wales
Gareth Wardell	Commissioner for Wales
Dr Victoria Edwards	Commissioner for England
Martin Gale	Commissioner for Scotland and the forestry industry
Andrew Raven	Commissioner for Scotland
Tony Cooper	Commissioner for Human Resources

#### National Committee for England

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. Non-executive and Senior Staff Group members during the year were:

Rt Hon Lord Clark of Windermere	Chair and Forestry Commission Chairman
Dr Victoria Edwards	Non-executive Commissioner for England
Tony Cooper	Non-executive Commissioner for England
Judith Webb	Non-executive member
Gerald Dawe	Non-executive member
Alan Taylor	Defra Observer

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Paul Hill-Tout	Director, Forestry Commission England and Executive Commissioner
Geoff Hatfield	Chief Executive, Forest Enterprise England (until 30 April 2004)
Rod Leslie	Acting Chief Executive Forest Enterprise England (from 1 May 2004)

### Other Forestry Commission Senior Staff Group

The Forestry Commission's Senior Staff Group (SSG) operates by analogy with the Senior Civil Service in the Home Civil Service. Members of the SSG, other than those who served on the Board of Commissioners or National Committees, during the year were:

Jim Anderson	Director Human Resources (until 16 May 2004)*
Kim Lardge	Director Human Resources (from 27 September 2004)*
Richard Williamson	Acting Director Human Resources (from 17 May 2004 to 26 September 2004)*
Professor Jim Lynch	Chief Executive, Forest Research Agency *
Wilma Harper	Secretary to Commissioners and Head of Corporate and Forestry Support *
David Henderson-Howat	Special Projects, Forestry Commission Scotland
Peter Ranken	Head of Recreation and Development, Forestry Commission England
Mike Lofthouse	Head of Operations, Forest Enterprise Scotland (until 31 March 2005)
Keith Gliddon	Director Finance *
Craig Heaney	Head of Engineering Services
Peter Freer-Smith	Chief Research Officer, Forest Research Agency
Alan Mitchell	Head of Business Services Division
Roger Herbert	Head of Country Services
Ian Forshaw	Head of Policy and Business Development, Forestry Commission Scotland

\* Member of the Forestry Commission Executive Board

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

### **16. APPOINTMENT OF THE PERMANENT HEAD OF THE DEPARTMENT AND FORESTRY COMMISSIONERS**

Non-executive Commissioners are appointed for 3-5 year terms of office by Her Majesty the Queen on advice from Ministers, following the procedures of the Commissioner for Public Appointments, including open advertisement. Executive Commissioners, including the Director General, are appointed by Her Majesty the Queen on the advice of Ministers, for the duration of the tenure of the posts to which they are recruited through normal Civil Service procedures.

### **17. REMUNERATION**

Ministers' remuneration is set by the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991.

Salary increases 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 remaining senior staff posts in accordance with guidelines prescribed by the Cabinet Office.

Further details on remuneration are set out in Note 2 to these accounts.

### **18. PUBLIC INTEREST AND OTHER EMPLOYMENT POLICIES**

The Forestry Commission values and respects its staff by treating each member with respect and trust and in doing so recognises that each person is different and can make a unique contribution to the work. The purpose of the Forestry Commission's employment policy is to demonstrate that it is an equal opportunity employer and the aim is to be fair to everybody. To do this the Forestry Commission ensures that no eligible job applicant, or employee receives less favourable treatment on the grounds of their gender, or gender re-assignment, ethnic origin, disability, age, nationality, national origin, sexual orientation, marital status, religion and religious or philosophical belief, social class or offending background.

All employees, whether part-time, full time or temporary will be treated fairly and equally. Selection for employment, promotion or training or any other benefit will be on the basis of aptitude and ability. All employees will be helped and encouraged to develop their full potential and the talents and resources of the workforce will be fully utilised to maximise the efficiency of the organisation. No person shall be disadvantaged by conditions or requirements which cannot be shown to be justifiable.

The Forestry Commission also follows good employer practices aimed at ensuring that all staff work in an environment free from both illegal and unfair discrimination and harassment. Consolidated statements of the Commission's obligations with regard to equality of opportunity and diversity are shown in the Staff Handbook. Full details of

# Great Britain & England

## Annual Report

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these initiatives arising from our policies are also set out in the Human Resources Intranet site.

The Forestry Commission will monitor the success of its policies by:-

- Collecting and analysing data as appropriate.
- Regularly reviewing procedures [recruitment, performance management, promotion and pay] to ensure that they are free of unfair discrimination.
- Reporting the results of equality and diversity monitoring to the Personnel Management Sub-Committee on an annual basis.
- Liaising closely with Cabinet Office and other Government Departments to ensure that we are keeping abreast of all changes in legislation and other developments.

Further information on the employment of persons with disabilities, the provision of information to, and consultation with, employees, and the promotion of equal opportunities is available on request from the Human Resources unit of the Forestry Commission.

### 19. SUPPLIER PAYMENT POLICY

Forestry Commission Great Britain/England complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2004-05 indicates that 97.7% of invoices paid by the Forestry Commission Great

Britain/England and 99.9% of invoices paid by Forest Research were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

### 20. AUDITORS

The accounts of Forestry Commission Great Britain/England are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000.

The notional cost of the statutory audit is £50,000 (2003-04: £47,000).

T J D Rollinson  
Accounting Officer  
14 December 2005

# Statement of Forestry Commissioners' and Accounting Officer's Responsibilities

1. Under section 5(2) of the Government Resources and Accounts Act 2000, the Forestry Commissioners are required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.
3. HM Treasury has appointed the Permanent Head of Department as Principal Accounting Officer of the department with overall responsibility for ensuring that resources authorised by Parliament and sums to be paid out of the Consolidated Fund, in respect of the Forestry Commission, are used for the purposes intended by Parliament. He must ensure that there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are taken into account in decisions on policy proposals; and risk is considered in relation to assessing value for money.
4. In preparing the accounts the Principal Accounting Officer is required to comply with the Resource Accounting Manual prepared by HM Treasury, and in particular to:
  - observe 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 Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts ;
  - prepare the accounts on the going concern basis.
5. As Principal Accounting Officer, the Director General of the Forestry Commission has designated Director, Forestry Commission England and the Chief Executive of Forest Research as Accounting Officers. The responsibilities of the Director General, as Principal Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the department's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting. Under the terms of the Accounting Officers' Memorandum, the relationship between the department's Principal Accounting Officer and the other Accounting Officers, together with their respective responsibilities, is set out in writing.

# Statement on Internal Control

## 1. SCOPE OF RESPONSIBILITY

### Forestry Commission

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

The Forestry Commission is a Great Britain cross-border department responsible for forestry matters and which has a Board of Commissioners with duties and powers prescribed by statute. Forestry is a devolved matter. The Secretary of State for Environment, Food and Rural Affairs has responsibility for forestry in England as well as certain activities such as international affairs, plant health and forest research which remain reserved by Westminster. Scottish Ministers and the Welsh Assembly Government have responsibility for forestry in Scotland and Wales respectively. The Forestry Commission in each country works closely with the respective rural affairs department underpinned by individual concordats.

The Secretary of State for Environment, Food and Rural Affairs has overall responsibility for UK forestry interests within the European Union and for international negotiations on forestry, including the formulation of UK policy. The Secretary of State consults with Scottish Ministers, the National Assembly for Wales and the Northern Ireland Assembly on UK-wide issues.

The Forestry Commissioners are statutorily responsible for the stewardship of the estate placed at their disposal by Ministers.

The Forestry Commissioners have delegated to the statutory National Committee in each country, 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 Principal Accounting Officer, formally responsible to Parliament for the financial affairs of the Forestry Commission. The accountability arrangements for the Principal Accounting Officer of the Forestry Commission are set out in the Memorandum at Annex 4.1 of Government Accounting.

The Forest Research Agency, funded from the Westminster vote, is the principal organisation in Great Britain engaged in forestry and tree related research and is the research agency of the Forestry Commission. The Chief Executive is responsible, normally through the Director General, to the Forestry Commissioners for the management of the Agency. The Chief Executive has a right of direct access to the Commissioners, and to the relevant Minister, and will meet them at least once a year. The Chief Executive is a member of the Forestry Commission's Executive Board.

### Forestry Commission England

The National Committee in England is chaired by a non-executive Forestry Commissioner and its members include a further two non-executive Commissioners, the Director England, the acting Agency Chief Executive and an observer from the Department for Environment, Food and Rural Affairs.

# Statement on Internal Control

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The Director England is the executive Forestry Commissioner responsible to the Forestry Minister and to the Director General for the work of the Forestry Commission in England. From 1 April 2004, the Treasury appointed Director England as Accounting Officer for the new Request for Resources 1 (RfR1) relating to the implementation of the programmes of the England Forestry Strategy. The exact responsibilities between the Additional Accounting Officer for RfR1 and the Principal Accounting Officer are set out in a separate Letter of Understanding. The Director General acts as the Accounting Officer for Request for Resources 2 (RfR2) that covers the Forestry Commissions' lead role in the development and promotion of sustainable forest management and to support its achievement nationally.

The Chief Executive of the Forest Enterprise England Agency is responsible, normally through the Director England, to the National Committee for England for the management of the Agency. The Chief Executive is a member of the National Committee and is designated as Agency Accounting Officer, responsible for the Agency's accounts and financial procedures and for the proper, effective and efficient use of resources provided to the Agency within the terms of the Framework Document and in pursuit of the agreed objectives and targets. The Chief Executive has a right of direct access to the Commissioners, and to the relevant Minister, and will meet them at least once a year.

In the absence of a permanent Chief Executive for Forest Enterprise England in 2004-05, Director England has retained the Agency Accounting Officer's responsibilities for the Agency's accounts and financial

procedures, and for the proper, effective and efficient use of resources provided to the Agency within the terms of the Framework Document and in pursuit of the agreed Corporate Plan objectives and targets.

## **Public Accounts Committee**

The Director General, Director England and the Agency Chief Executives are liable to be summoned to appear before the Public Accounts Committee to answer for their respective responsibilities. It will be for Ministers to decide who should represent them at other Parliamentary Committee hearings.

## **2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Forestry Commission Great Britain/England 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 Great Britain/England for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

# Statement on Internal Control

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### 3. CAPACITY TO HANDLE RISK

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

The resources available for managing risk are finite and so the aim is to achieve an optimum response to risk, prioritised in accordance with the evaluation of risk. The system of internal control incorporates risk management. The system encompasses a number of elements that together facilitate an effective and efficient operation, enabling Forestry Commission Great Britain/England to respond to a variety of operational, financial and commercial risks. These elements include:

- Implementing delivery policies set by the Board of Commissioners, England National Committee, Forestry Commission Executive Board and other Executive/Management Boards. Written procedures support the policies where appropriate.
- Comprehensive regular reporting to the Board of Commissioners, National Committee and Executive/Management Boards designed to monitor key risks and their controls. Decisions to rectify problems are made at their regular meetings.
- Planning and budgeting system used to set objectives, agree action plans and allocate resources. Progress towards meeting plan objectives is monitored regularly.

The Forestry Commission's Director Finance acts as the departmental Risk Improvement Manager who chairs a Risk Management Group comprising a risk champion from each part of the organisation and an internal audit representative.

### 4. THE RISK AND CONTROL FRAMEWORK

Forestry Commission Great Britain/England is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2005 and up to the signing of the accounts Forestry Commission Great Britain/England has:

- Attended risk management workshops involving all relevant parts of the Forestry Commission, including Internal Audit, in June and September 2004. The purpose of the workshops was to share experience of handling risk at country and agency level and to review progress on embedding risk management. It was agreed to restructure the methodology and format of risk registers to more clearly identify inherent and residual risk together with the control framework in place to manage this within an acceptable level. A working group was set up to take this forward and the revised methodology discussed at the meeting of the Forestry Commission Risk Management Group at the end of July 2005.

# Statement on Internal Control

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- Endorsed a revised Forestry Commission risk policy statement presented to the Forestry Commission Executive Board in February 2005. The Forestry Commission Audit Committee agreed that the revised statement, incorporating changes debated by the Committee, should be tabled at a future meeting of the Board of Commissioners. This took place in September 2005.
- Updated the existing Forestry Commission England, Forest Enterprise England and Forest Research risk registers to reflect newly identified potential risks and appropriate control measures for agreement by board members in April and June 2005.
- Started work on a revised risk register for Great Britain core risks and other generic risks to more clearly identify inherent and residual risk together with the control framework in place to manage this within an acceptable level. The Forestry Commission Risk Management Group discussed the latest version at the end of July 2005.

The size and membership of the Forestry Commission Audit Committee is designed to represent all parts of the Forestry Commission. The Committee met three times during the year, in April, September and December 2004, to consider a range of reports from management, and from internal and external audit. As part of the governance framework, the Board of Commissioners received oral reports from the Committee Chair on business during the year and a more formal annual report on the discharge of its duties in June 2005.

The Audit Committee, in the main, deals with higher level issues concerning control and governance. Country Directors and the Agency Chief Executives are provided with more detailed advice on the work of Internal Audit in particular, and control in general, via their local Internal Control Committee (ICC). The ICC's objectives are to:

- provide a forum for senior management to discuss internal control and audit matters;
- promote understanding of the internal audit role and objectives;
- assist the Head of Internal Audit in defining the scope of audit coverage and assessing priorities.

The ICC in England met twice during the year, in September 2004 and March 2005 to receive reports on audit activity, risk management and feedback on the work of the Audit Committee. The ICC for Forest Research met three times during the year, in April 2004, December 2004 and March 2005.

## 5. REVIEW OF EFFECTIVENESS

As Principal 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, the Additional and Agency Accounting Officers and the executive managers across the Forestry Commission 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

# Statement on Internal Control

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effectiveness of the system of internal control by the Executive Boards and the Forestry Commission Audit Committee. Plans to address weaknesses and ensure continuous improvement of the system are in place.

The Head of Internal Audit has prepared a suite of annual reports and assurance statements to Country Directors and Agency Chief Executives, prepared for them in their capacities as Additional and Agency Accounting Officers. The reports include an overall assessment of the adequacy and effectiveness of risk management, control and governance within each entity. As the Principal Accounting Officer, I have received a similar report and assurance statement including any comments specific to the Great Britain core responsibilities. The overall opinion is that internal control within the Forestry Commission continues to provide substantial assurance that material risks to the achievement of objectives are adequately managed.

In line with the Internal Audit Strategy, the opportunity was taken in 2004-05 to reassess the assurance level provided by the work of two areas with their own internal inspection regime. These were health and safety, and accounting inspections. Both received a substantial opinion, though Internal Audit made a number of recommendations on the accounting inspection process which will be actioned during 2005-06.

A review of the structure, interactions and functioning of the Forestry Commission's corporate governance framework was undertaken during 2004-05 by Internal Audit and the Corporate and Forestry Support Division. It covered the decision-making

bodies at both Great Britain level and within countries. During the review, Internal Audit referred to two best practice guides, the draft Code of Good Practice on corporate governance in government departments and the CMPS Toolkit on maximising board effectiveness. The Forestry Commission's Executive Board will now consider the recommendations before proposing changes for approval by the Board of Commissioners. A separate review will be undertaken of the structure, relationship and work of the Audit Committee and ICCs during 2005-06.

Under present arrangements, Forestry Commission Great Britain/England relies on the organisational structure for managing risk with clear responsibilities at every level supported by a Risk Management Group whose role is to assist in the development of good risk management practice throughout the Forestry Commission. During 2005-06, Forestry Commission Great Britain/England will introduce a framework of Certificates of Assurance to further support the signing of the Statement on Internal Control.

## **6. SIGNIFICANT INTERNAL CONTROL PROBLEMS**

### **Woodland Grant Scheme**

Following closure of the Woodland Grant Scheme in England to new applications in June 2004, a review of the budgeting and financial controls for the payment of grants was undertaken. Internal Audit reported that the previous level of financial and management control had been insufficient to meet the changing operating environment in England. While there had been much success in meeting programme targets this had not

# Statement on Internal Control

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been linked to adequate financial control thereby increasing the risk of a breach of voted expenditure and consequential impact on the Forestry Commission's reputation. Areas for improvement have centred on roles, responsibilities and communication and the introduction of more rigorous management of contracts and funding.

The audit review acknowledged the significant work carried out by management in developing and implementing a strategy to stabilise the financial position and maintain confidence and continuity in the sector. A follow up review took place towards the end of 2004 on progress with the strategy which resulted in no breach of funding at the end of the year 2004-05. Management is aware of the need for good financial forecasting systems as well as those that provide information on achievement of programmes and this has been built into the new IT applications to support the England Woodland Grant Scheme launched in 2005-06.

## **Bank Reconciliation**

The bank accounts held by the Forestry Commission serve all 3 countries including Forestry Commission Great Britain/England. It is vital that the Forestry Commission can reconcile transactions in its accounting ledger with the associated cash transactions recorded in its commercial bank accounts and its account with the Office of the Paymaster General.

During 2004-05, the Finance and Accounting shared service did not complete the necessary periodic reconciliations between the ledger and bank accounts within the scheduled timescale. The main problem arose from system changes made in July 2004 to

further automate and improve the processes involved. When the problem was identified, the Forestry Commission employed an additional, external resource to cover the backlog. Internal Audit reviewed the work and confirmed that the reconciliations as at March 2005 were complete, accurate and valid and that the system in use stood up to scrutiny. During the review, Internal Audit identified some areas for improvement to help the audit process which will feed into a wider review of banking arrangements initiated by senior management. The Forestry Commission Finance Director has confirmed that the reconciliations for 2005-06 are up to date.

T J D Rollinson  
Accounting Officer  
14 December 2005

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

## **Forestry Commission Great Britain/England**

I certify that I have audited the financial statements on page 96 to 129 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 102 to 105.

## **Respective responsibilities of the Accounting Officer and Auditor**

As described on page 87, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Annual Report is not consistent with the financial statements, if the Department has

not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Accounts, 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.

I review whether the statement on pages 88 to 93 reflects the Department's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

## **Basis of audit opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Department's circumstances,

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

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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 are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Forestry Commission England/GB at 31 March 2005 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

Supplementary statement by the Comptroller and Auditor General. The maintenance and integrity of the Forestry Commission's website is the responsibility of the Accounting Officer; my work does not involve consideration of these matters and accordingly I accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

John Bourn  
National Audit Office  
Comptroller and Auditor General  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

16 December 2005

# The Accounting Schedules

## Schedule 1

### FORESTRY COMMISSION GREAT BRITAIN/ENGLAND

#### Summary of Resource Outturn 2004-05 (£000s)

			2004-05 Estimate			2004-05 Outturn	2004-05 Net total outturn compared with estimate: saving/ (excess)	2003-04  Prior year outturn
	Gross expenditure	A in A	NET TOTAL	Gross expenditure	A in A	NET TOTAL		
<b>Request for resources 1</b>	67,416	-	67,416	55,574	-	55,574	11,842	77,648
<b>Request for resources 2</b>	17,605	-	17,605	12,891	-	12,891	4,714	-
<b>Total resources</b>	<b>85,021</b>	<b>-</b>	<b>85,021</b>	<b>68,465</b>	<b>-</b>	<b>68,465</b>	<b>16,556</b>	<b>77,648</b>
<b>Net cash requirement</b>	<b>-</b>	<b>-</b>	<b>62,748</b>	<b>-</b>	<b>-</b>	<b>60,328</b>	<b>2,420</b>	<b>58,907</b>

#### Summary of income payable to the Consolidated Fund

	Forecast 2004-05		Outturn 2004-05	
	Income	Receipts	Income	Receipts
Income from fees not classified as A in A	-	-	-	-
Income from the sale of assets not classified as A in A	-	-	-	-
	-	-	-	-

#### Explanation of the variation between Estimate and outturn (net total resources):

The Forestry Commission Great Britain/England recorded an underspend of £16.6m in total on actual resource expenditure over estimate. £11.8m is attributable to request for resources 1 with the balance of £4.8m on request for resources 2. The underspends are principally due to the reasons below:

#### Request for resources 1

- Forest Enterprise cost of capital and other provisions for liabilities and charges were below estimate by £11m. The Estimate included £6.0m brought forward from 2003/04 via the end year flexibility arrangements to provide for increases in the value of the forest estate and potential costs arising from public liability cases. The outturn reflects a less than anticipated increase in asset valuations and no

requirement to provide for large claims against the organisation.

- The balance of the underspend (£0.8m) reflects the net effect of various measures taken during the year to contain operating and administrative expenditure within estimated levels despite pressure from demands for woodland grant payments.

#### Request for resources 2

- The estimate included some £1.9m revenue provision to cover the development of e-business systems aimed at improving efficiency and effectiveness of delivery of services to customers. Accounting guidance states that such expenditure should be capitalised. Purchase of fixed assets shows an excess on estimate reflecting this adjustment.

# The Accounting Schedules

## Schedule 1

- The balance of the underspend (£2.9m) reflects the net effect of various measures taken during the year to reduce administration and programme costs whilst ensuring efficient services continued to be delivered.

### Explanation of the variation between Estimate net cash requirement and outturn net cash requirement:

The Forestry Commission Great Britain/England recorded an under spend of £2.4m on actual cash expenditure over estimate that represents a 4.0% saving on the net cash requirement of £62.7m.

### Reconciliation of resources to cash requirement (£000s)

		Estimate	Outturn	Net total outturn compared with estimate: saving/(excess)
	Note			
<b>Net total resources</b>		85,021	68,465	16,556
<b>Capital:</b>				
• Purchase of fixed assets	7/8	904	2,797	(1,893)
• Investments				
<b>Non-operating cost A in A:</b>				
• Proceeds of fixed asset disposals		-	-	-
<b>Accruals adjustments:</b>				
• Non-cash items	3	-	(1,882)	1,882
• Changes in working capital other than cash	9	4,780	2,111	2,669
• Changes in creditors falling due after more than one year		-	-	-
• Use of provision	14	-	680	(680)
• Non-cash inter-country transfers	15	-	(107)	107
<b>Other adjustments:</b>				
• Adjustment of FE net deficit to financing	6	(27,957)	(17,713)	(10,244)
• FE depreciation	6	-	2,253	(2,253)
• FE net capital expenditure	6	-	3,724	(3,724)
<b>Net cash requirement (Schedule 4)</b>		62,748	60,328	2,420

The notes on pages 102 to 121 form part of these accounts.

# The Accounting Schedules

## Schedule 2

### FORESTRY COMMISSION GREAT BRITAIN/ENGLAND

#### Operating Cost Statement

for the year ended 31 March 2005 (£000s)

	Note	2004 - 05	2003 - 04
<b>Administration Costs</b>			
Staff costs	2	24,628	23,443
Non-staff administration costs	3	22,490	20,724
<b>Gross administration cost</b>		<b>47,118</b>	44,167
Operating income	4	(21,908)	(19,074)
<b>Net administration costs</b>		<b>25,210</b>	25,093
<b>Programme costs</b>			
<b>Request for resources 1:</b>			
Expenditure	5	55,861	61,427
Less income			
EU receipts		(4,907)	(5,116)
Other income		(1,619)	(4,564)
	4	(6,526)	(9,680)
		<b>49,335</b>	51,747
<b>Request for resources 2:</b>			
Expenditure	5	2,981	-
Less income			
EU receipts		(1,133)	-
Other income		(1,951)	-
	4	(3,084)	-
		<b>(103)</b>	-
<b>Net programme costs</b>		<b>49,232</b>	51,747
<b>Net operating cost</b>	6	<b>74,442</b>	76,840
<b>Net resource outturn</b>	6	<b>68,465</b>	77,648

All income and expenditure are derived from continuing operations.

#### Statement of Recognised Gains and Losses

for the year ended 31 March 2005 (£000s)

	Note	2004 - 05	2003 - 04
Net gain on revaluation of tangible fixed assets	16	450	422
Total recognised gains and losses for the financial year		450	422

The notes on pages 102 to 121 form part of these accounts.

# The Accounting Schedules

## Schedule 3

### FORESTRY COMMISSION GREAT BRITAIN/ENGLAND

#### Consolidated Balance Sheet

as at 31 March 2005 (£000s)

	Note	31 March 2005	31 March 2004
<b>Fixed assets</b>			
Tangible assets	7	15,258	13,322
Intangible assets	8	1,351	1,023
		<b>16,609</b>	<b>14,345</b>
<b>Debtors falling due after more than one year</b>	11	<b>118</b>	<b>164</b>
<b>Current assets</b>			
Stocks	10	1,523	1,563
Debtors	11	6,373	6,480
Cash at bank and in hand	12	2,420	4,164
		10,316	12,207
<b>Creditors (amounts falling due within one year)</b>	13	(10,960)	(15,008)
<b>Net current assets</b>		<b>(644)</b>	<b>(2,801)</b>
<b>Total assets less current liabilities</b>		<b>16,083</b>	<b>11,708</b>
<b>Provisions for liabilities and charges</b>	14	(1,406)	(1,780)
		<b>(1,406)</b>	<b>(1,780)</b>
		<b>14,677</b>	<b>9,928</b>
<b>Taxpayers' equity:</b>			
General fund	15	9,254	4,955
Revaluation reserve	16	5,423	4,973
		<b>14,677</b>	<b>9,928</b>

The notes on pages 102 to 121 form part of these accounts.

T J D Rollinson  
Accounting Officer  
14 December 2005

# The Accounting Schedules

## Schedule 4

### FORESTRY COMMISSION GREAT BRITAIN/ENGLAND

#### Cash Flow Statement

for the Year ended 31 March 2005 (£000s)

		2004-05	2003-04
	Note		
Net cash outflow from operating activities		(57,531)	(56,958)
Capital expenditure and financial investment		(2,797)	(1,949)
Payments of amount due to Consolidated Fund		(4,107)	(1,766)
Surplus cash surrendered to Consolidated Fund		(57)	-
Financing		62,748	63,014
<b>Increase/(Decrease) in cash in the period</b>	12	(1,744)	2,341
<b>Reconciliation of operating cost to operating cash flows</b>			
<b>Net operating cost</b>		74,442	76,840
Adjustments for non-cash transactions	3	(1,882)	(1,929)
Non-cash inter-country transfers		(107)	446
Forest Enterprise England non-cash adjustments	6	(17,713)	(16,741)
Adjustments for movements in working capital other than cash	9	2,111	(2,603)
Use of provisions	14	680	945
<b>Net cash outflow from operating activities</b>		57,531	56,958
<b>Analysis of capital expenditure and financial investment</b>			
Tangible fixed asset additions	7	2,221	926
Intangible fixed asset additions	8	576	1,023
Proceeds of disposal of fixed assets		-	-
Loans to other bodies		-	-
Repayment of loans to other bodies		-	-
<b>Net cash outflow from investing activities</b>		2,797	1,949
<b>Analysis of financing and reconciliation to the net cash requirement</b>			
Financing from Westminster Consolidated Fund (supply)		62,748	63,014
Payment of amount due to Consolidated Fund		(4,107)	(1,766)
Surplus cash surrendered to Consolidated Fund		(57)	-
(Increase)/decrease in cash	12	1,744	(2,341)
<b>Net cash requirement (Schedule 1)</b>		60,328	58,907

The notes on pages 102 to 121 form part of these accounts.

# The Accounting Schedules

## Schedule 5

### FORESTRY COMMISSION GREAT BRITAIN/ENGLAND

#### Resources by Departmental Aim and Objective

for the year ended 31 March 2005 (£000s)

	2004-05			2003-04		
	Gross	Income	Net	Gross	Income	Net
<b>England Objectives</b>						
Increase the contribution of forests and woodlands to local economies and rural development	37,158	(2,765)	34,393	41,435	(3,533)	37,902
Expand the role of woodlands in supporting the economic regeneration of former industrial land and disadvantaged communities	3,743	(1,563)	2,180	2,248	(521)	1,727
Promote public access to woods and forests and develop diverse recreational opportunities	12,507	(674)	11,833	8,816	(770)	8,046
Conserve and improve biodiversity, landscape and cultural heritage of our forests and woodlands	14,993	(1,847)	13,146	14,376	(2,453)	11,923
<b>England Net Operating Costs</b>	<b>68,401</b>	<b>(6,849)</b>	<b>61,552</b>	<b>66,875</b>	<b>(7,277)</b>	<b>59,598</b>
<b>Great Britain Objective</b>						
To take the lead in development and promotion of sustainable forest management and to support its achievement nationally	37,559	(24,669)	12,890	38,719	(21,477)	17,242
<b>Great Britain Net Operating Costs</b>	<b>37,559</b>	<b>(24,669)</b>	<b>12,890</b>	<b>38,719</b>	<b>(21,477)</b>	<b>17,242</b>
<b>Great Britain/England Net Operating Costs</b>	<b>105,960</b>	<b>(31,518)</b>	<b>74,442</b>	<b>105,594</b>	<b>(28,754)</b>	<b>76,840</b>

See note 17 for explanation of apportionments across objectives.

The notes on pages 102 to 121 form part of these accounts.

# Notes to the Resource Accounts

## 1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the 2004-05 Resource Accounting Manual (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where RAM permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate to the particular circumstances of the department for the purpose of giving a true and fair view has been selected. The department's 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 at their value to the business by reference to their current costs.

### 1.2 Basis of Preparation of Accounts

These accounts reflect the assets, liabilities and results of the core-department Forestry Commission England and Forest Research together with international matters and topics, which though devolved, are agreed to be best delivered for Great Britain as a whole. Forest Enterprise England, an executive agency, is a public corporation for national accounting and as such is outside the boundary for resource accounting purposes. The Forest Enterprise England accounts are published separately in the Forestry Commission annual report and accounts for Great Britain/England with the net funding of

Forest Enterprise England reflected in these accounts.

### 1.3 Tangible Fixed Assets

Legal ownership of all land and buildings is vested in the Secretary of State with legal ownership of the timber, including uncut trees, vested in the Forestry Commissioners. Where Forest Enterprise England is the principal beneficial user of the assets of the Forestry Commission estate they are treated as a fixed asset of the agency.

Legal ownership of other tangible fixed assets, primarily office equipment, is vested in the Forestry Commissioners.

#### Land and buildings

Land and buildings were assessed as at 31 March 2002 in accordance with our policy of revaluing at three-yearly intervals by professionally qualified staff employed by the Forestry Commission following the principles set out in the RICS Red Book. Valuation was on the basis of Open Market Value or Existing Use Value as appropriate under the RICS guidance. From 1 April 2002, land and buildings has been restated to current value annually using appropriate indices provided by the District Valuer.

Land and buildings were scheduled to be re-assessed as at 31 March 2005 in accordance with the three-yearly interval stated in the previous accounting policy. It has been decided, however, to bring the policy in line with UK GAAP and undertake a professional valuation of dwellings and other buildings on a five-yearly basis with a formal review in the third year. The first five-yearly valuation will be undertaken at 31 March 2008

to coincide with the next full revaluation of the Forest Estate.

In 2004-05, professionally qualified staff employed by the Commission carried out a review into the use of the indices provided by the District Valuer. The review concluded that use of the indices provided a reasonable restatement of the current value of land and buildings. The indices were therefore used to restate values as at 31 March 2005 and will be used in each year until the professional valuation at 31 March 2008.

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

#### **Plant and machinery**

Forestry vehicles, machinery and equipment are revalued every three 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 (IT)**

Information technology asset 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 £1,500. Items of IT, if treated singly would fall below the capitalisation threshold, but collectively represent a significant asset, are capitalised as a pooled asset.

#### **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.

#### **1.4 Depreciation**

Freehold land is not depreciated.

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other tangible fixed assets by equal instalments over their estimated useful lives. Lives are in the following ranges:

Land and buildings	-	1 to 60 years
Plant and machinery	-	3 to 16 years
IT	-	4 to 20 years

Impairments of fixed assets are charged to the operating cost statement in the period in which they occur.

#### **1.5 Intangible Assets**

Purchased software licences with an acquisition value of £5,000 or more is recognised as an intangible fixed asset. Assets are amortised over their expected useful economic life to a maximum of seven years. Management carries out an annual review of software and expected economic lives.

#### **1.6 Stocks and Work in Progress**

Stocks and work in progress are valued as follows:

- finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used;

# Notes to the Resource Accounts

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- work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value;
- consumable materials and supplies held for continuing use are valued at cost or, where materially different, current replacement costs, and at net realisable value only when they either cannot or will not be used.

Work in progress on long term projects undertaken by Forest Research is valued at the cost of staff time and other direct costs plus attributable overheads based on the normal level of activity.

## **1.7 Provision for Bad and Doubtful Debts**

Specific provisions for bad and doubtful debts are set aside on the basis of a review of individual debts at the end of the year.

## **1.8 Research and Development**

As one of its Great Britain functions, the department commissions research from its Forest Research agency and through external contracts awarded by a variety of means including open tender. The Forestry Commission's research strategy, which is the subject of consultation with other government departments and external stakeholders, is published on the Forestry Commission website. All research and development expenditure is charged to the operating cost statement in the year.

## **1.9 Administrative and Programme Expenditure**

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running Forestry Commission Great

Britain/England, together with associated operating income, and programme costs include payments of grants.

## **1.10 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. The Forestry Commission undertakes to pay planting grants in two instalments whilst grants for the management of existing woodlands are payable annually in arrears during the five-year currency of an approved plan. Grants become payable (and are recognised as a liability in the balance sheet), and contributions from the EU are claimed, once any necessary physical inspection has been undertaken to verify that the scheme conditions have been met. If grants are subsequently recovered because of failure to fulfil the conditions of the Woodland Grant Scheme, the amount of co-financing may be repayable to the EU. EU costs and grants paid are included in programme expenditure and off-setting EU funding/co-financing is included in programme income.

## **1.11 Cost of Capital Charges**

Charges, reflecting the cost of capital utilised by the core department in England and Forest Research, have been included under Administration 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 Westminster Consolidated Fund.

## 1.12 Value Added Tax (VAT)

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 Customs and Excise at the year-end included in the Forestry Commission Great Britain/ England accounts as a debtor or creditor. Irrecoverable VAT is charged to the operating cost statement in the year in which it is incurred.

## 1.13 Insurance

In accordance with normal government accounting practice, the Forestry Commission carries its own insurance risks.

## 1.14 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded. The Forestry Commission recognises the expected cost of providing pensions 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.

Further information on pensions is contained in Note 2 to the accounts.

## 1.15 Provisions

The Forestry Commission Great Britain/ England 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 (currently 3.5 per cent).

## 1.16 Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

## 2. STAFF NUMBERS AND RELATED COSTS

### 2.1 Staff Costs

Staff costs consist of:

	2004-05		2003-04	
	£000			£000
<b>Forestry Commission England</b>		Permanently-		
	Total	employed staff	Others	Total
Wages and salaries	4,582	4,582	-	4,187
Social security costs	369	369	-	329
Other pension costs	615	615	-	566
Agency/temporary staff	87	-	87	1
Total net costs	5,653	5,566	87	5,083

# Notes to the Resource Accounts

Further staff were employed on a Great Britain basis, which includes Forest Research, to provide support to Forestry Commission activities in all three countries and to its agencies. The staff costs were:

	2004-05			2003-04
	£000			£000
<b>Forestry Commission Great Britain</b>		Permanently-		
	Total	employed staff	Others	Total
Wages and salaries	15,719	15,719	-	15,112
Social security costs	1,239	1,239	-	1,180
Other pension costs	2,058	2,058	-	1,994
Agency/temporary staff	21	-	21	9
Inward secondments	40	-	40	65
Capitalised staff costs	(102)	(102)	-	-
Sub total	18,975	18,914	61	18,360
Less recoveries in respect of outward secondments	(70)	(70)	-	(136)
<b>Total net costs</b>	<b>18,905</b>	<b>18,844</b>	<b>61</b>	<b>18,224</b>

The aggregate staff costs for Forestry Commission Great Britain/England were:

	2004-05			2003-04
	£000			£000
<b>Forestry Commission Great Britain/England</b>		Permanently-		
	Total	employed staff	Others	Total
Total costs per schedule 2	24,628	24,480	148	23,443
Less recoveries in respect of outward secondments	(70)	(70)	-	(136)
<b>Total net costs</b>	<b>24,558</b>	<b>24,410</b>	<b>148</b>	<b>23,307</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 ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2004-05, employers' contributions of £2,663,000 were payable to the PCSPS (2003-04 £2,551,000) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The scheme Actuary reviews employer contributions every four years following a full scheme valuation.

From 2005-06, the salary bands will be revised and the rates will be in a range between 16.2% and 24.6%. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £9,220.93 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 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £539.73,

# Notes to the Resource Accounts

0.8 per cent 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.

## 2.2 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.

	2004-05			2003-04
	Number			Number
<b>Objective</b>				
	Total	Permanently- employed staff	Others	Total
<b>England</b>				
Increase the contribution of forests and woodlands to local economies and rural development	95	93	2	99
Expand the role of woodlands in supporting the economic regeneration of former industrial land and disadvantaged communities	5	5	-	5
Promote public access to woods and forests and develop diverse recreational opportunities	34	34	-	23
Conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands	36	36	-	35
<b>England Total</b>	<b>170</b>	<b>168</b>	<b>2</b>	<b>162</b>
<b>Great Britain</b>				
To take the lead in development and promotion of sustainable forest management and to support its achievement nationally	<b>592</b>	<b>590</b>	<b>2</b>	<b>600</b>

## 2.3 Salary and Pension Entitlements

The salary and pension entitlements of the Forestry Commissioners, members of the National Committee for England and Great Britain senior staff were as follows:

	2004-05		2003-04	
	Salary	Benefits in kind	Salary	Benefits in kind
	£000	To the nearest £100	£000	To the nearest £100
Rt Hon Lord Clark of Windermere	45-50	-	45-50	-
Tim Rollinson	105-110	-	85-90	-
Paul Hill-Tout	80-85	-	75-80	-
Anthony Bosanquet	5-10	-	5-10	-
Gareth Wardell	10-15	-	10-15	-
Dr Victoria Edwards	10-12	-	5-10	-
Martin Gale	5-10	-	5-10	-
Andrew Raven	10-15	-	10-15	-

# Notes to the Resource Accounts

Tony Cooper	5-10	-	5-10	-
Kim Lardge	35-40	-	-	-
Wilma Harper	55-60	-	60-65	-
David Henderson-Howat	90-95	-	65-70	-
Keith Gliddon	55-60	-	55-60	-
Craig Heaney	65-70	800	65-70	£900
Alan Mitchell	65-70	-	60-65	-
Roger Herbert	65-70	-	60-65	-
Jim Anderson	10-15	-	60-65	-
Richard Williamson	45-50	-	45-50	-
Peter Ranken	65-70	-	65-70	-
Judith Webb	0-5	-	0-5	-
Gerald Dawe	0-5	-	0-5	-

The salary and pension entitlements of Bob McIntosh, an Executive Forestry Commissioner, are borne and disclosed in the Forestry Commission Scotland Resource Accounts 2004-05 as he is Director, Forestry Commission Scotland.

The salary and pension entitlements of Simon Hewitt, an Executive Forestry Commissioner, are borne and disclosed in the Forestry Commission Wales Resource Accounts 2004-05 as he is Director, Forestry Commission Wales.

The salary and pension entitlements of Geoff Hatfield and Rod Leslie, members of the National Committee for England during the year are borne and disclosed in the Forest Enterprise England Accounts for 2004-05. Geoff Hatfield left the National Committee for England on 30 April 2004. Rod Leslie joined the National Committee for England on 1 May 2004.

The salary and pension entitlements of Peter Freer-Smith and Ian Forshaw, members of the Forestry Commission Senior Staff Group during the year, are borne and disclosed in the Forest Research and Forestry Commission Scotland 2004-05 accounts respectively.

The salary and pension entitlements of the members of the Forest Research Management Board and Forest Enterprise Management Board are shown in each of the agency's annual accounts.

## Salary

'Salary' includes gross salary and performance bonuses.

## 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. The advances of salary for house purchase scheme had 20 loans with an outstanding balance of £2,500 or more to individual members of staff at 31 March 2005. The total value of these loans was £139,000.

## Loans to senior Great Britain staff

Loans are made to senior staff in the form of an advance of salary for house purchase. The loans are made on the same terms as are available to other staff. The amount outstanding at 31 March 2005 amounted to £71,000 (£71,000 at 31 March 2004).

# Notes to the Resource Accounts

## Pension

	Real increase in pension and related lump sum (LS) at age 60 (£k)	Total accrued pension at age 60 at 31 March 2005 and related lump sum (LS) (£k)	CETV at 31 March 2004 (nearest £k)	CETV at 31 March 2005 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Employer contribution to partnership pension account including risk benefit cover – to nearest £100
Tim Rollinson	5.0-7.5 plus LS of 20.0-22.5	35-40 plus LS of 110-115	445	592	118	-
Paul Hill-Tout	0-2.5 plus LS of 2.5-5.0	20-25 plus LS of 70-75	303	338	14	-
Jim Anderson	-	25-30 plus LS of 85-90	576	540	-11	-
Richard Williamson	2.5-5.0 plus LS of 7.5-10.0	20-25 plus LS of 60-65	281	337	45	-
Kim Lardge	0-2.5	0-5	0	10	8	-
Wilma Harper	0-2.5	20-25	257	285	9	-
David Henderson-Howat	-	20-25 plus LS of 60-65	326	326	0	-
Peter Ranken	0-2.5 plus LS of 0-2.5	25-30 plus LS of 85-90	466	499	11	-
Keith Gliddon	0-2.5 plus LS of 2.5-5.0	20-25 plus LS of 65-70	346	389	21	-
Craig Heaney	0-2.5 plus LS of 2.5-5.0	30-35 plus LS of 90-95	508	548	15	-
Alan Mitchell	-	30-35 plus LS of 95-100	560	582	-4	-
Roger Herbert	0-2.5 plus LS of 0-2.5	30-35 plus LS of 95-100	530	566	10	-

Pension benefits are provided through the CSP 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).

# Notes to the Resource Accounts

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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).

Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

Columns 3 & 4 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 5 reflects the increase in CETV effectively funded by the

employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

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 CSP arrangements and for which the CS Vote has received a transfer payment commensurate to 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.

## 3. NON-STAFF ADMINISTRATION COSTS

	2004-05	2004-05	2003-04	2003-04
	£000	£000	£000	£000
<b>Rentals under operating leases:</b>				
Hire of plant and machines	328			-
Other operating leases	2,024		2,020	
		2,352		2,020
<b>Research and development expenditure</b>		3,312		3,182
<b>Non- cash items:</b>				
Cost of capital	430		347	
Notional audit fees – audit work	50		47	
Notional audit fees – non-audit work	-		-	
Depreciation	1,090		870	
Impairment	(1)		94	
(Gains)/Losses on disposal of assets	7		-	
Provisions				
Provided in year	444		300	
Provisions not required written back	(174)		-	
Unwinding of discount	36		271	
		1,882		1,929
<b>Other expenditure</b>				
Cost of shared services	4,894		4,407	
Computer costs	2,189		2,252	
Travel and subsistence	1,220		1,178	
Accommodation	1,904		2,235	
Telecommunication	989		893	
Premature retirement costs	521		396	
Postage	161		184	
Losses and compensation	113		184	
Other	2,953		1,864	
		14,944		13,593
<b>Non-staff administration costs</b>		<b>22,490</b>		<b>20,724</b>

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

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

# Notes to the Resource Accounts

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

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

The Forest Research Agency undertook a significant proportion of the Forestry Commission's overall annual research programme in the form of specifically commissioned projects to deliver agreed outputs. A separate annual charge was agreed for each project based on full cost recovery. Costs established in one year are used to determine project charges for future years. The Agency also provided research and survey services for Forest Enterprise England and other parts of the Forestry Commission on a full cost recovery basis

## 4. INCOME

	2004-05	2003-04
	£000	£000
Shared central service charges	20,915	17,730
Other	993	1,344
<b>Administrative Income</b>	<b>21,908</b>	<b>19,074</b>
Planting grant co-financing from EU	4,907	5,116
Other Income	4,703	4,564
<b>Programme income</b>	<b>9,610</b>	<b>9,680</b>

Administrative income includes income received by shared central services from Scotland, Wales and Forest Enterprise England whereas the income from Forestry Commission England and Forest Research is excluded because these entities are inside the resource account boundary.

## 5. PROGRAMME EXPENDITURE

	2004-05	2003-04
	£000	£000
Support for forestry and the rural economy, including grants paid to private woodland owners	15,093	13,490
Grants paid to private woodland owners from EU receipts	4,907	5,116
Other programme costs, including research and publications	4,357	6,184
<b>Sub-total</b>	<b>24,357</b>	<b>24,790</b>
Forest Enterprise England funding	34,485	36,637
<b>Programme expenditure</b>	<b>58,842</b>	<b>61,427</b>

# Notes to the Resource Accounts

## 6. RECONCILIATION OF NET OPERATING COST TO CONTROL TOTAL AND NET RESOURCE OUTTURN

	2004-05	2003-04
	£000	£000
<b>Net operating cost for the year</b>	74,442	76,840
Less Forest Enterprise England depreciation	(2,253)	(2,116)
Add/less Forest Enterprise England net capital	(3,724)	2,924
Add non-supply income including CFERs	-	-
Add net deficit on revaluations	-	-
Net resource outturn	68,465	77,648

Forest Enterprise England incurred a deficit on its income and expenditure account of £34,485,000 (£36,637,000 in 2003-04). It received cash funding of £16,772,000 (£19,896,000 in 2003-04) from the Forestry Commission and the difference is shown under other adjustments in Schedule 1. The difference comprises:

	2004-05	2003-04
	£000	£000
<b>Capital</b>		
Net capital	3,724	(2,924)
<b>Accruals adjustments</b>		
Cost of capital	14,690	14,056
Non cash items	627	6,327
Changes in working capital, including cash	(625)	(1,185)
Changes in provisions	(703)	467
	17,713	16,741
Remove non supply expenditure	(5,977)	(2,116)
Add non supply expenditure	-	2,924
<b>Adjustment of FE deficit to financing (Schedule 1)</b>	<b>11,736</b>	<b>17,549</b>

# Notes to the Resource Accounts

## 7. TANGIBLE FIXED ASSETS

	Land and Buildings	Plant and Machinery	IT	Assets Under Construction	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>					
At 1 April 2004	11,024	365	9,861	300	21,550
Additions	95	-	636	1,490	2,221
Transfers	117	(22)	(17)	-	78
Disposals	-	(18)	(85)	-	(103)
Revaluation to current prices	473	(6)	15	-	482
Reversal of impairment	-	-	4	-	4
<b>At 31 March 2005</b>	<b>11,709</b>	<b>319</b>	<b>10,414</b>	<b>1,790</b>	<b>24,232</b>
<b>Depreciation:</b>					
At 1 April 2004	749	340	7,139	-	8,228
Provided during year	230	4	608	-	842
Transfers	4	(26)	(13)	-	(35)
Disposals	-	(16)	(80)	-	(96)
Revaluation to current prices	26	-	6	-	32
Reversal of impairment	-	-	3	-	3
<b>At 31 March 2005</b>	<b>1,009</b>	<b>302</b>	<b>7,663</b>	<b>-</b>	<b>8,974</b>
<b>Net Book Value at:</b>					
<b>31 March 2005</b>	<b>10,700</b>	<b>17</b>	<b>2,751</b>	<b>1,790</b>	<b>15,258</b>
<b>1 April 2004</b>	<b>10,275</b>	<b>25</b>	<b>2,722</b>	<b>300</b>	<b>13,322</b>

Note 1 Accounting Policies sets out the basis on which fixed assets are revalued.

Land and buildings were scheduled to be re-assessed as at 31 March 2005 in accordance with the three-yearly interval stated in the previous accounting policy. It has been decided, however, to bring the policy in line with UK GAAP and undertake a professional valuation of land and buildings on a five-yearly basis with a formal review in the third year. The first five-yearly valuation will be undertaken at 31 March 2008 with annual updates in the intervening years based on indices provided by the District Valuer.

Plant and machinery were subject to a triennial revaluation as at 31 March 2005 by professionally qualified staff employed by the Forestry Commission. The next full revaluation is due as at 31 March 2008 with annual updates in the intervening years 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.

Information technology assets was restated to current value as at 31 March 2005 using an index provided by the Office for National Statistics.

## 8. INTANGIBLE FIXED ASSETS

	Purchased Software Licences
	£000
<b>Cost or valuation:</b>	
At 1 April 2004	1,023
Additions	576
Disposals	-
Revaluation to current prices	-
<b>At 31 March 2005</b>	<b>1,599</b>
<b>Depreciation:</b>	
At 1 April 2004	-
Provided during year	248
Disposals	-
Revaluation to current prices	-
<b>At 31 March 2005</b>	<b>248</b>
<b>Net Book Value at:</b>	
<b>31 March 2005</b>	<b>1,351</b>
1 April 2004	1,023

## 9. MOVEMENTS IN WORKING CAPITAL OTHER THAN CASH

	2004-05	2003-04
	£000	£000
(Decrease)/increase in Stocks	(40)	776
(Decrease) /increase in Debtors	(153)	(34)
Decrease/(increase) in Creditors: amounts falling due within one year	4,048	(5,714)
	3,855	(4,972)
Adjustment: movement in working capital not related to net operating costs		
Amounts due to Consolidated Fund	(1,687)	2,341
Historic cash balance paid to Treasury	(57)	-
Movement in working capital related to the acquisition of tangible fixed assets	-	28
<b>Net increase/(decrease) in working capital other than cash</b>	<b>2,111</b>	<b>(2,603)</b>

## 10. STOCKS AND WORK IN PROGRESS

	2004-05	2003-04
	£000	£000
Stocks	1,061	1,026
Raw materials and work in progress	462	537
<b>Total</b>	<b>1,523</b>	<b>1,563</b>

# Notes to the Resource Accounts

## 11. DEBTORS

	2004-05	2003-04
	£000	£000
<b>Amounts falling due within one year:</b>		
VAT	2,305	1,092
Trade debtors	3,163	3,957
Other debtors	92	649
Prepayments	813	782
	<b>6,373</b>	<b>6,480</b>
<b>Amounts falling due after more than one year:</b>		
Other debtors	118	164
<b>Total</b>	<b>6,491</b>	<b>6,644</b>

## 12. CASH AT BANK AND IN HAND

	2004-05	2003-04
	£000	£000
Balance at 1 April	4,164	1,823
Net change in cash balances	(1,744)	2,341
<b>Balance at 31 March</b>	<b>2,420</b>	<b>4,164</b>
The following balances at 31 March are held at:		
Balance with Office of Paymaster General	1,872	3,652
Cash at commercial banks and cash in hand	548	512
<b>Balance at 31 March</b>	<b>2,420</b>	<b>4,164</b>
Amounts issued from the consolidated fund for supply but not spent at the year end	<b>2,420</b>	<b>4,107</b>
Historic cash surplus to be paid to Westminster consolidated fund	-	<b>57</b>

## 13. CREDITORS

	2004-05	2003-04
	£000	£000
<b>Amounts falling due within one year:</b>		
Other taxation and social security	2,050	1,830
Trade creditors	3,877	8,504
Other creditors	60	40
Accruals and deferred income	2,256	229
Payments received on account	297	241
Historic cash surplus to be paid to Westminster consolidated fund	-	57
Amounts issued from Westminster consolidated fund (supply) but not spent at year end	2,420	4,107
<b>Total</b>	<b>10,960</b>	<b>15,008</b>

Forest Enterprise England acts as co-ordinator for the Interreg Project which is funded by the European Union. The purpose of the Interreg Project is to promote recreation and conservation in forestry. The duties of co-ordinators include receiving EU funds on behalf

of partners for onward transmission once work programmes have been approved. As third party assets these sums are not recorded on the face of these accounts. At 31 March 2005 the amount held in Forestry Commission bank accounts on behalf of partners was £309,360.07.

# Notes to the Resource Accounts

This has subsequently all been transferred to the partners concerned.

The creditor's disclosure has been changed from previous years by the inclusion of a line for

'accruals and deferred income'. In previous years accruals were included in trade creditors and deferred income was included in other creditors.

## 14. PROVISION FOR LIABILITIES AND CHARGES

	Early departure costs	Legal claims	Total
	£000	£000	£000
Balance at 1 April 2004	1,630	150	1,780
Provided in the year	444	-	444
Provisions not required written back	(24)	(150)	(174)
Utilised in the year	(680)	-	(680)
Unwinding of discount	36	-	36
<b>Balance at 31 March 2005</b>	<b>1,406</b>	<b>-</b>	<b>1,406</b>

### 14.1 Early Departure Costs

The department 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 department provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3.5 per cent in real terms.

## 15. RECONCILIATION OF NET OPERATING COST TO CHANGES IN GENERAL FUND

	2004-05	2003-04
	£000	£000
Net operating cost for the year (Schedule 2)	(74,442)	(76,840)
Parliamentary funding	62,748	63,014
	(11,694)	(13,826)
Forest Enterprise England non-cash adjustments (note 6)	17,713	16,741
	6,019	2,915
Notional cost of capital	430	347
Transfer of fixed assets from/to other forestry bodies	113	261
Transferred to general fund (realised element of revaluation reserve)	-	127
Non-cash inter-country transfers	107	(446)
Notional audit fees	50	47
Amounts issued from the Consolidated Fund for supply but not spent at year end	(2,420)	(4,107)
<b>Net increase / (decrease) in General Fund</b>	<b>4,299</b>	<b>(856)</b>
General Fund as at 1 April	4,955	5,811
<b>General Fund as at 31 March (Schedule 3)</b>	<b>9,254</b>	<b>4,955</b>

# Notes to the Resource Accounts

## 16. REVALUATION RESERVE

	2004-05	2003-04
	£000	£000
Balance at 1 April	4,973	4,678
Transferred to general fund (realised element of revaluation reserve)	-	(127)
Arising on revaluation during the year	450	422
<b>Balance at 31 March</b>	<b>5,423</b>	<b>4,973</b>

## 17. SCHEDULE 5

Expenditure in Schedule 5 comprises the direct costs incurred by Forestry Commission England's national office and payments made for centrally provided services. An analysis was undertaken to determine the costs attributable to each of the objectives for the

core department. In a multi-benefit forestry strategy where many activities will contribute to more than one objective, the allocation of costs has been undertaken by senior staff in each area based on an informed judgement of each activity.

## 18. CAPITAL COMMITMENTS

There were no contracted capital commitments at 31 March 2005.

## 19. COMMITMENTS UNDER OPERATING LEASES

Operating lease rentals are charged on a straight-line basis over the term of the lease. Commitments on operating leases for the next year are as follows:

	2004-05	2003-04
	£000	£000
Building leases expiring within:		
One year	63	-
Two to five years	-	59
More than five years	1,961	1,961
<b>Total</b>	<b>2,024</b>	<b>2,020</b>
Other leases expiring within:		
One year	93	-
Two to five years	235	-
More than five years	-	-
	<b>328</b>	<b>-</b>

## 20. OTHER FINANCIAL COMMITMENTS

Following approval of a management plan for planting proposals, Forestry Commission England undertakes to pay planting grants in two instalments. At 31 March 2005, Forestry Commission England was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £12.261 million (£0.305 million in 2003-04). 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 £17.95 million at 31 March 2005 (£16.9 million in 2003-04). Applications for planting and replanting grants, awaiting approval at 31 March 2005, amounted to £0.713 million (£24.5 million in 2003-04).

## 21. CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2005 (£nil at 31 March 2004).

## 22. LOSSES AND SPECIAL PAYMENTS

	Number	£000
Losses total	22	44
Special payments total	23	25

## 23. RELATED PARTY TRANSACTIONS

Forestry Commission England's executive agency Forest Enterprise England is regarded as a related party. During the year, Forestry Commission England has had a significant number of material transactions with Forest Enterprise England.

In addition, Forestry Commission Great Britain/England has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission has had dealings are H M Treasury, UK Co-ordinating Body, the Paymaster General's Office, Customs and Excise, the Inland Revenue, the Department for the Environment, Food and Rural Affairs, the Office of the Deputy Prime Minister, the North West Development Agency and Yorkshire Forward.

In the year to 31 March 2005, Forest Enterprise England entered into material transactions involving Martin Gale, a non-executive Forestry Commissioner. At 31 March 2005, Martin Gale was Chairman of Tilhill Forestry and Vice President, International Forestry, UPM-Kymmene Corporation. UPM-Kymmene is the parent company of Shotton Paper, Caledonian Paper and Tilhill Forestry Ltd. Tilhill Forestry has an interest in BSW Timber plc.

The value of purchases from Forest Enterprise England was:

BSW Timber plc	£254,000
Tilhill Forestry	£746,000

Amounts owing to Forest Enterprise England at 31 March 2005 was:

BSW Timber plc	£35,000
Tilhill Forestry	£184,000

Professor Jim Lynch, Chief Executive of Forest Research, is distinguished Professor of Life Sciences at the University of Surrey. The value of payments to the University for services

# Notes to the Resource Accounts

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provided in the year to 31 March 2005 was £32,000.

Sam Evans, Head of Biometrics division in Forest Research, holds a visiting professorship at the University of Sheffield, with which £5,000 was spent on research services.

## 24. FINANCIAL INSTRUMENTS

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

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

### Liquidity risk

The UK Government makes provision for the use of resources by Forestry Commission Great Britain/England, for revenue and capital purposes, in its budget for each financial year. Resources and accruing resources may be used only for the purposes specified and up to

the amounts specified in the budget. The budget also specifies an overall cash authorisation to operate for the financial year. Forestry Commission Great Britain/England is not, therefore, exposed to significant liquidity risks.

### Interest-rate risk

Forestry Commission Great Britain/England is not exposed to interest-rate risk.

### Foreign currency risk

Forestry Commission Great Britain/England is not exposed to foreign currency risk.

### Fair Values

There is no difference between book value and fair value for the cash at bank shown in Note 12. Fair value for the provisions shown in Note 14 is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury rate of 3.5% in real terms.

## 25. ENTITIES WITHIN THE DEPARTMENTAL BOUNDARY

The entities within the boundary during 2004-05 were as follows:

- **Supply-financed agencies:**

Forest Research Agency, which incurred a net operating cost of £27,000.

- **Non-executive NDPBs:**

None

- **Other entities:**

None

The annual reports and accounts of the Forest Research Agency are published separately.

# Notes to the Resource Accounts

## 26. INTRA-GOVERNMENT BALANCES

	<b>Debtors: amounts falling due within one year</b>	<b>Debtors: amounts falling due after more than one year</b>	<b>Creditors: amounts falling due within one year</b>	<b>Creditors: amounts falling due after more than one year</b>
	£000	£000	£000	£000
Balances with other central government bodies	2,657	-	5,531	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	3,716	118	5,429	-
<b>At 31 March 2005</b>	<b>6,373</b>	<b>118</b>	<b>10,960</b>	<b>-</b>
Balances with other central government bodies	1,180	-	6,836	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	5,300	164	8,172	-
<b>At 31 March 2004</b>	<b>6,480</b>	<b>164</b>	<b>15,008</b>	<b>-</b>

# Schedule 3 Forestry Commission Great Britain/England Core department only

## Balance sheet as at 31 March 2005 (£000s)

	Note	31 March 2005		31 March 2004	
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible assets	2	4,144		2,591	
Intangible assets	3	1,301		987	
			<b>5,445</b>		<b>3,578</b>
<b>Debtors falling due after more than one year</b>	5		<b>96</b>		<b>111</b>
<b>Current Assets</b>					
Stocks	4	1,061		1,027	
Debtors	5	4,989		5,920	
Cash at bank and in hand	6	1,872		3,652	
		7,922		10,599	
<b>Creditors (amounts falling due within one year)</b>	7	(10,351)		(14,293)	
<b>Net Current Assets</b>			<b>(2,429)</b>		<b>(3,694)</b>
<b>Total assets less current liabilities</b>			<b>3,112</b>		<b>(5)</b>
<b>Provisions for liabilities and charges</b>	8	(1,328)		(1,630)	
			<b>(1,328)</b>		<b>(1,630)</b>
			<b>1,784</b>		<b>(1,635)</b>
<b>Taxpayers' equity:</b>					
General fund	9		1,402		(1,971)
Revaluation reserve	10		382		336
			<b>1,784</b>		<b>(1,635)</b>

T J D Rollinson  
Accounting Officer  
14 December 2005

# Notes to the Resource Accounts

## 1. STATEMENT OF ACCOUNTING POLICIES

Where appropriate, the accounting policies outlined above for the consolidated accounts have been adopted for the core-department only accounts.

## 2. TANGIBLE FIXED ASSETS

	Land and buildings £000	Plant and Machinery £000	IT £000	Assets Under Construction £000	Total £000
<b>Cost or valuation:</b>					
At 1 April 2004	1,226	365	4,343	300	6,234
Additions	-	-	356	1,490	1,846
Transfers	-	(22)	(17)	-	(39)
Disposals	-	(18)	(77)	-	(95)
Revaluation to current prices	55	(6)	-	-	49
Reversal of impairment	-	-	4	-	4
<b>At 31 March 2005</b>	<b>1,281</b>	<b>319</b>	<b>4,609</b>	<b>1,790</b>	<b>7,999</b>
<b>Depreciation:</b>					
At 1 April 2004	77	340	3,226	-	3,643
Provided during year	38	4	291	-	333
Transfers	-	(26)	(13)	-	(39)
Disposals	-	(16)	(72)	-	(88)
Revaluation to current prices	3	-	-	-	3
Reversal of impairment	-	-	3	-	3
<b>At 31 March 2005</b>	<b>118</b>	<b>302</b>	<b>3,435</b>	<b>-</b>	<b>3,855</b>
<b>Net Book Value at:</b>					
<b>31 March 2005</b>	<b>1,163</b>	<b>17</b>	<b>1,174</b>	<b>1,790</b>	<b>4,144</b>
1 April 2004	1,149	25	1,117	300	2,591

Note 1 Accounting Policies sets out the basis on which fixed assets are revalued.

Land and buildings were scheduled to be re-assessed as at 31 March 2005 in accordance with the three-yearly interval stated in the previous accounting policy. It has been decided, however, to bring the policy in line with UK GAAP and undertake a professional valuation of land and buildings on a five-yearly basis with a formal review in the third year. The first five-yearly valuation will be undertaken at 31 March 2008 with annual updates in the intervening years based on indices provided by the District Valuer.

Plant and machinery were subject to a triennial revaluation as at 31 March 2005 by professionally qualified staff employed by the Forestry Commission. The next full revaluation is due as at 31 March 2008 with annual updates in the intervening years 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.

Information technology (IT) was restated to current value as at 31 March 2005 using an index provided by the Office for National Statistics.

# Notes to the Resource Accounts

## 3. INTANGIBLE FIXED ASSETS

	Purchased Software licences
	£000
<b>Cost or valuation:</b>	
At 1 April 2004	987
Additions	553
Disposals	-
Revaluation to current prices	-
<b>At 31 March 2005</b>	<b>1,540</b>
<b>Depreciation:</b>	
At 1 April 2004	-
Provided during year	239
Disposals	-
Revaluation to current prices	-
<b>At 31 March 2005</b>	<b>239</b>
<b>Net Book Value at:</b>	
<b>31 March 2005</b>	<b>1,301</b>
1 April 2004	987

## 4. STOCKS AND WORK IN PROGRESS

	2004-05	2003-04
	£000	£000
Stocks (publications)	<b>1,061</b>	<b>1,027</b>

## 5. DEBTORS

	2004-05	2003-04
	£000	£000
<b>Amounts falling due within one year:</b>		
VAT	2,305	1,092
Trade debtors	1,988	3,554
Other debtors	84	628
Prepayments	612	646
	<b>4,989</b>	<b>5,920</b>
<b>Amounts falling due after more than one year:</b>		
Other debtors	96	111
<b>Total</b>	<b>5,085</b>	<b>6,031</b>

# Notes to the Resource Accounts

## 6. CASH AT BANK AND IN HAND

	2004-05	2003-04
	£000	£000
Balance at 1 April	3,652	1,306
Net change in cash balances:	(1,780)	2,346
<b>Balance at 31 March</b>	<b>1,872</b>	<b>3,652</b>
The following balances at 31 March are held at:		
Balance with Office of Paymaster General	1,872	3,652
Cash at commercial banks and cash in hand	-	-
<b>Balance at 31 March</b>	<b>1,872</b>	<b>3,652</b>
Amounts issued from the consolidated fund for supply but not spent at the year end	<b>1,872</b>	<b>3,595</b>
Historic cash surplus to be paid to Westminster consolidated fund	-	<b>57</b>

## 7. CREDITORS

	2004-05	2003-04
	£000	£000
<b>Amounts falling due within one year:</b>		
Other taxation and social security	2,050	1,830
Trade creditors	3,566	8,063
Other creditors	59	40
Accruals and deferred income	2,256	196
Historic cash surplus to be paid to Westminster consolidated fund	-	57
Amounts issued from the Consolidated Fund for supply but not spent at year end	2,420	4,107
<b>Total</b>	<b>10,351</b>	<b>14,293</b>

Forest Enterprise England acts as co-ordinator for the Interreg Project which is funded by the European Union. The purpose of the Interreg Project is to promote recreation and conservation in forestry. The duties of co-ordinators include receiving EU funds on behalf of partners for onward transmission once work programmes have been approved. As third party assets these sums are not recorded on the face of these accounts. At 31 March 2005 the amount held in Forestry

Commission bank accounts on behalf of partners was £309,360.07. This has subsequently all been transferred to the partners concerned.

The creditor's disclosure has been changed from previous years by the inclusion of a line for 'accruals and deferred income'. In previous years accruals were included in trade creditors and deferred income was included in other creditors.

# Notes to the Resource Accounts

## 8. PROVISION FOR LIABILITIES AND CHARGES

	Early departure costs
	£000
Balance at 1 April 2004	1,630
Provided in the year	350
Provisions not required written back	(24)
Utilised in the year	(675)
Unwinding of discount	47
<b>Balance at 31 March 2005</b>	<b>1,328</b>

The department 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 department provides for this in full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the Treasury discount rate of 3.5 per cent in real terms.

## 9. RECONCILIATION OF NET OPERATING COST TO CHANGES IN GENERAL FUND

	2004-05	2003-04
	£000	£000
Net operating cost for the year	(74,415)	(76,866)
Parliamentary funding	62,341	63,265
	(12,074)	(13,601)
Subsidy payments to Forest Enterprise England	17,713	16,741
	5,639	3,140
Notional cost of capital	21	(37)
Transfer of fixed assets from/to other forestry bodies	-	128
Non-cash inter-country transfers	83	(430)
Notional audit fees	50	47
Amounts issued from the Consolidated Fund for supply but not spent	(2,420)	(4,107)
<b>Net increase / (decrease) in General Fund</b>	<b>3,373</b>	<b>(1,259)</b>
General Fund as at 1 April	(1,971)	(712)
<b>General Fund as at 31 March (Schedule 3)</b>	<b>1,402</b>	<b>(1,971)</b>

## 10. REVALUATION RESERVE

	2004-05	2003-04
	£000	£000
Balance at 1 April	336	290
Arising on revaluation during the year	46	46
<b>Balance at 31 March</b>	<b>382</b>	<b>336</b>

## 11. CAPITAL COMMITMENTS

There were no contracted capital commitments at 31 March 2005.

## 12. COMMITMENTS UNDER LEASES

### Operating leases

Operating lease rentals are charged on a straight-line basis over the term of the lease.

Commitments on operating leases for the next year are as follows:

	2004-05	2003-04
	£000	£000
Building leases expiring within:		
One year	63	-
Two to five years	-	59
More than five years	1,961	1,961
<b>Total</b>	<b>2,024</b>	<b>2,020</b>
Other leases expiring within:		
One year	93	-
Two to five years	235	-
More than five years	-	-
<b>Total</b>	<b>328</b>	<b>-</b>

## 13. OTHER FINANCIAL COMMITMENTS

Following approval of a management plan for planting proposals, Forestry Commission England undertakes to pay planting grants in two instalments. At 31 March 2005, Forestry Commission England was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £12.261 million (£0.305 million in 2003-04). 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 £17.95 million at 31 March 2005 (£16.9 million in 2003-04). Applications for planting and replanting grants, awaiting approval at 31 March 2005, amounted to £0.713 million (£24.5 million in 2003-04).

## 14. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2005 for damages caused to other persons' property or for compensation for personal injury to employees (£nil as at 31 March 2004).

## 15. LOSSES STATEMENT

	Number	£000
Losses total	21	40
Special payments total	9	13

## 16. RELATED PARTY TRANSACTIONS

Forestry Commission England's executive agency Forest Enterprise England is regarded as a related party. During the year, Forestry Commission England has had a significant number of material transactions with Forest Enterprise England.

# Notes to the Resource Accounts

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In addition, Forestry Commission Great Britain/England has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission has had dealings are H M Treasury, UK Co-ordinating Body, the Paymaster General's Office, Customs and Excise, the Inland Revenue, the Department for the Environment, Food and Rural Affairs, the Office of the Deputy Prime Minister, the North West Development Agency and Yorkshire Forward.

In the year to 31 March 2005, Forest Enterprise England entered into the following material transaction involving non-executive Commissioners:

Martin Gale, a non-executive Forestry Commissioner was, at 31 March 2005, Chairman of Tilhill Forestry and Vice President, International Forestry, UPM-Kymmene Corporation. UPM-Kymmene is the parent company of Shotton Paper, Caledonian Paper and Tilhill Forestry Ltd. Tilhill Forestry has an interest in BSW Timber plc

The value of purchases from Forest Enterprise England was:

BSW Timber plc	£254,000
Tilhill Forestry	£746,000

Amounts owing to Forest Enterprise England at 31 March 2005 was:

BSW Timber plc	£35,000
Tilhill Forestry	£184,000

## 17. FINANCIAL INSTRUMENTS

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

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

### Liquidity risk

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

## **Interest-rate risk**

Forestry Commission Great Britain/England is not exposed to interest-rate risk.

## **Foreign currency risk**

Forestry Commission Great Britain/England is not exposed to foreign currency risk.

## **Fair values**

There is no difference between book value and fair value for the cash at bank shown in Note 6. Fair value for the provisions shown in Note 8 is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury rate of 3.5% in real terms.

# Accounts Direction given by the Treasury

## ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 5(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000

1. This direction applies to those government departments and pension schemes listed in the attached appendix.\*
2. These departments and pension schemes shall prepare resource accounts for the year ended 31 March 2005 in compliance with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual issued by H M Treasury ("the Resource Accounting Manual") which is in force for 2004-05.
3. The accounts for **government departments** shall be prepared so as to:
  - a) give a true and fair view of the state of affairs at 31 March 2005 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
  - b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. The accounts for **pension schemes** shall be prepared so as to:
  - a) give a true and fair view of the state of affairs at 31 March 2005 and of the net resource outturn and cash flows for the financial year then ended; and
  - b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
5. Compliance with the requirements of the Resource Accounting 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 is inconsistent with the requirement to give a true and fair view, the requirements of the Resource Accounting 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 with both the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.

**David Cruden FCA**  
**Head of Central Accountancy Team,**  
**Her Majesty's Treasury**  
**16 February 2005**

\* The Forestry Commission was one of the departments listed in the appendix which is referred to.

# Forest Enterprise England

## Accounts for the year ended 31 March 2005

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# Forest Enterprise England

## Foreword

### 1. ACCOUNTS DIRECTION

The accounts for Forest Enterprise England have been prepared under a direction given by the Treasury in accordance with Section 7 of the Government Resources and Accounts Act 2000. The direction is produced as an appendix to the accounts.

### 2. BACKGROUND INFORMATION

Forest Enterprise England was set up as an executive Agency on 1 April 2003 to undertake the English work of the former Great Britain Forest Enterprise Agency. It is part of Forestry Commission England which serves as the forestry department of the Westminster Parliament to advise on and implement forestry policies. Through the executive Agency, Forestry Commission England also manages the public forest estate to deliver public benefits. The Secretary of State for Environment, Food and Rural Affairs is answerable to the Westminster Parliament for Forestry Commission Great Britain/England's overall policies and performance. Further information on Forestry Commission Great Britain/England can be found in its Annual Report and Accounts.

Forest Enterprise England is designated as a public corporation for national accounting purposes, in accordance with European System of Accounts (ESA) 95. Accordingly, it is outside the departmental boundary for resource accounting purposes with the net funding reflected in the Forestry Commission Great Britain/England Resource Accounts.

### 3. AIMS AND OBJECTIVES

The aims and objectives of Forest Enterprise England are described in the Framework Document published in April 2003 and

available on the Forestry Commission website at [www.forestry.gov.uk](http://www.forestry.gov.uk). They are designed to assist Forestry Commission England to achieve its overall aim of protecting and expanding England's woodlands and increasing their value to society and the environment.

The aim of Forest Enterprise England is:

- To manage the public estate owned by the Secretary of State for Environment, Food and Rural Affairs in a sustainable way, so as to contribute towards the economic, social and environmental objectives of the England Forestry Strategy.

The main objectives of Forest Enterprise England are:

- To manage the estate sustainably in all respects (Sustainable forest management);
- To increase the contribution of the estate to the rural economy (Economic);
- To conserve and enhance the biodiversity, landscape and cultural heritage of the estate (Environmental);
- To promote public access to the estate and develop diverse recreational opportunities (Social);
- To expand the role of the estate in improving the environment of disadvantaged communities and bringing brownfield land into beneficial public use (Social).

Details of the financial performance targets set for Forest Enterprise England by the Forestry Commission National Committee for England and achievement against those targets are shown in Note 23 to the accounts.

#### 4. REVIEW OF PRINCIPAL ACTIVITIES

The Agency met or exceeded all but two of its key performance targets. The failure against the target for creating woodland in priority areas was due to the discovery of great crested newts on one of the planting sites. Work on this site has been postponed until the impacts on this important species have been assessed and mitigated. Actual return on capital invested in Forest Holidays was 0.4% short of target.

A total of 1.54 million cubic metres of Forest Stewardship Council Certified timber were harvested from the Forestry Commission's forests in England. Sixty three per cent of the volume was sold as standing trees with the balance coming from Forest Enterprise England's own harvesting activity. Thinning operations contributed thirty nine per cent of the volume. In improving market conditions, the total timber income was £17.3 million. It was achieved, despite fires at three key processing plants, through actively seeking alternative markets and with the assistance of a modest rise in timber prices after a long period of decline.

Following independent audit against the UK Woodland Assurance Standard, the Agency received renewal of its Forest Stewardship Council (FSC) Certification for the public forest estate. The audit report was very positive and gave credit for outstanding achievement in a number of areas, including the National

Arboreta that were included in the Certification process for the first time.

The Countryside and Rights of Way Act 2000 (CROW) made new provisions for dedicating access rights to the countryside; amended the law relating to nature conservation and the protection of wildlife, and made further provision for Areas of Outstanding Natural Beauty. The process of dedicating the Forestry Commission's estate following the introduction of CROW commenced in September 2004. By the year end, 85,000 hectares of the freehold estate had been dedicated for public access and preparation is being made to dedicate the remaining 100,000 hectares by March 2006.

2004-05 was the first full delivery year for the £23 million Newlands 1 economic regeneration scheme, funded by the North West Development Agency (NWDA) and covering Merseyside, Greater Manchester and North Cheshire. The scheme, which is managed by Forestry Commission England, is being delivered in partnership with the Community Forests, Groundwork and others like BTCV. The scheme will lead to the restoration of 435 hectares of former industrial land by creating community woodlands to form attractive settings to attract and maintain economic investment.

The Agency has been actively engaging with the Office of the Deputy Prime Minister (ODPM) in delivery of their Sustainable Communities Plan with a key delivery role marked out in their Greening the Gateway Implementation Plan. A major step forward was the purchase of Jeskyns Farm in March 2005 in partnership with ODPM. Jeskyns, a 147

# Forest Enterprise England

## Foreword

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hectares arable farm, is a key development in ODPM's 'Greening Thames Gateway' programme and work is already underway to convert the site to community woodland.

The Forestry for Recreation, Access and Tourism programme promotes more and better quality public access to woodlands. It also includes opportunities for ensuring that woods and forests continue to be used for a wide range of recreational pursuits as well as supporting the tourism and leisure industries. The 'Forest Tour' music concerts are proving to be increasingly popular, both with artists and the fans. Headline acts in the Summer of 2004 included Paul Weller, Jools Holland and Bryan Ferry, who played to a total audience of almost 65,000.

In the course of the year, four major public liability claims were faced including three serious cycling accidents. The cases could have impacted significantly on the Agency's accounts but one of the cycling claims was withdrawn and the other major claim was defeated in court with costs awarded to the Forestry Commission. In June 2005 the two remaining cycle claims were withdrawn.

The Forestry for Environment and Conservation programme embraces the role woodlands can play in conserving and enhancing the character of our environment, our cultural heritage, and in delivering against the government's international commitments on biodiversity and climate change. The 'Wildwoods' Great Britain project continues to develop following the website launch last year. In England, our partnership with the Royal Society for the Protection of Birds (RSPB) is highlighted with the ospreys at

Whinlatter, and the peregrines at Symonds Yat, which are the RSPB's top two sites for visitor numbers.

Further information on the activities of Forest Enterprise England is contained in the Forestry Commission Great Britain/England Annual Report.

### 5. RESULT FOR THE YEAR

Forest Enterprise England incurred a net deficit on its income and expenditure account of £34,485,000 compared to £36,637,000 in 2003-04. Adjustments for fixed asset impairments impacted on the deficit for both years as the current year's deficit included the reversal of £1,000 of the impairments totalling £2,928,000 included in 2003-04. The deficit, excluding these adjustments, increased to £35,485,000 from £33,709,000.

After adjusting the total deficit for items not involving the movement in cash and for capital expenditure and income, the net cash funding received from Forestry Commission England was £16,772,000 compared to £19,896,000 in 2003-04. Property sales generated total cash receipts of £5,863,000, which included the sale of development land in East Anglia at £4,249,000, for which planning consent had been worked on for several years.

The operating deficit reduced by £774,000, excluding the fixed asset impairments. This was the result of additional income from timber sales and Forest Holidays together with efficiency savings generated from within both the Business Units and core operations.

Net spending on recreation, conservation and heritage increased by £1,917,000. Income

# Forest Enterprise England

## Foreword

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improved by £1,103,000 reflecting additional income from recreational and sporting events, partnerships and visitor centres.

Cost of capital increased by £634,000 due to the increase in value of estate land and buildings.

### 6. POST-BALANCE SHEET EVENTS

There are no post-balance sheet events.

### 7. FUTURE DEVELOPMENTS

2004-05 has seen both buoyant demand and increasing timber prices following a period of depressed values. The relative strength of the currency; world-wide and European demand trends; availability and cost of shipping; and the health of the UK construction sector have all contributed to the improvement in the market for home-grown timber. The Agency is seeing confidence returning to the sector and processors developing their businesses through new investment. This leads to a positive outlook for 2005-06 with the expectation that the modest price increases will be sustained and consolidated and demand will remain strong.

There is a caution to be added to the trend, as the storms of early January brought severe damage to European forests, particularly in Sweden, Denmark and Latvia. The effect on the UK market remains difficult to predict as we move through 2005-06 and the storm damaged timber is processed and traded. The risk of business failure among key timber processors has reduced with improved market conditions, but the risk from catastrophic events such as fire at processing plants remains and has been well-demonstrated in the past year.

The Forestry Commission continues to seek a private partner to modernise its Forest Holidays business through a public private partnership. Forest Holidays operates throughout Great Britain and currently has 3 self-catering log cabin sites and 21 campsites, providing 141 self-catering units and over 5,000 touring pitches.

The dedication of freehold land following the introduction of CROW will continue with the remaining 100,000 hectares scheduled to be dedicated by March 2006.

The Agency is taking forward active negotiations with Sembcorp Woodfuel on wood supply to the major power station project on Teesside. The project would open up a wide range of opportunities for woodland management as well as delivering significantly against the Government's renewable energy targets.

The Agency is working closely with a number of partners to take forward major capital developments at key recreational sites, such as Dalby in North Yorkshire and Bedgebury in Kent. Salcey Forest, near Northampton, has successfully attracted funding for a large scale recreation project to refurbish existing, and provide additional, recreation facilities. This includes an innovative tree top walk.

Forest Enterprise England has launched 'Active Woods', a publicity campaign to promote its work on health and well-being and this is the centrepiece of the Agency's publicity in 2005. Its aim is to make the connection in people's minds between woods, trees and forests and health and well-being, thereby driving up participation in many activities in the forests. It brings together under one banner a wide range of active involvement,

from health walks through to mountain bike competitions, with the key message that active participation is good for people's health.

Two major projects at Haldon & Wistlandpound, in Peninsula Forest District and Bedgebury, in the South East, are now being implemented as part of Sport England's Active England programme to make the nation more active. The Active England programme represents a major shift in emphasis from competitive participatory sport towards informal recreation. The projects will create major new centres for activities including walking, mountain biking and play. Out reach to less advantaged communities is an essential element of these projects.

Work will continue on improving the condition of both woodland and non-woodland Sites of Special Scientific Interest (SSSIs), of which 73% on the national forest estate are already in favourable condition. Forestry Commission England has secured additional funding of £2m per year for 2006-07 and 2007-08 from the Department for Environment, Food and Rural Affairs (Defra) to specifically address the recovery of SSSIs. Forest Enterprise England is to receive £1m per annum of the additional funding for SSSIs, wooded or otherwise, on the national forest estate. The additional funds will not restore all the Agency's SSSIs to favourable condition, but is aimed at achieving the national interim aim of 85% in favourable or recovering condition by 2007.

### 8. FIXED ASSETS

The revaluation of the Forest Estate resulted in an increase of £28,697,000 (9%). Non-forest land increased in value by £7,962,000. Of this, £3,260,000 related to the revaluation on 30 September 2004 of development land in

East Anglia. The balance was based on land indices provided by the District Valuer.

Additions to dwellings and other buildings amounted to £296,000, of which £255,000 were donated, and assets with a net book value of £648,000 were sold. The assets were revalued upwards by £4,415,000 using indices provided by the District Valuer.

Forest Holidays cabins and campsites were revalued upwards by £865,000.

Purchases of forestry vehicles, machinery and equipment (VME) amounted to £133,000 compared with disposals of £104,000. This continued to reflect the move towards assets held under operating leases. Asset values fell by £73,000 based on a valuation of specialist forestry machinery by internal professional staff.

Additions to office machinery and equipment (OME) amounted to £58,000. OME was revalued using an index provided by the Office for National Statistics.

Payment on account and assets under construction of £1,330,000 included extensive building work being carried out at the Dalby visitor centre in North York Moors and the purchase of land at Jeskyns Farm, East Anglia.

### 9. RESEARCH AND DEVELOPMENT

Forest Research, an executive agency of the Forestry Commission, is responsible for carrying out forest research and allied work. Forest Enterprise England commissions research through the agency and through external contracts awarded by a variety of means including open tender. Although forestry is a

# Forest Enterprise England

## Foreword

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devolved subject, Forest Research continues to be funded from Westminster.

### 10. PENSIONS

Present and past employees of the Forestry Commission are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The financial status of the scheme is reported in a separate PCSPS scheme statement. The Forestry Commission recognises the expected cost of providing pensions 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.

### 11. SUPPLIER PAYMENT POLICY

Forest Enterprise England complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2004-05 indicates that 94.8% of invoices were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

### 12. EMPLOYMENT POLICIES

The Forestry Commission values and respects its staff by treating each member with respect and trust and in doing so recognises that each person is different and can make a unique contribution to the work. The purpose of the Forestry Commission employment policy is to demonstrate that it is an equal opportunity

employer and the aim is to be fair to everybody. To do this the Forestry Commission ensures that no eligible job applicant, or employee receives less favourable treatment on the grounds of their gender, or gender re-assignment, ethnic origin, disability, age, nationality, national origin, sexual orientation, marital status, religion and religious or philosophical belief, social class or offending background.

All employees, whether part-time, full time or temporary will be treated fairly and equally. Selection for employment, promotion or training or any other benefit will be on the basis of aptitude and ability. All employees will be helped and encouraged to develop their full potential and the talents and resources of the workforce will be fully utilised to maximise the efficiency of the organisation. No person shall be disadvantaged by conditions or requirements which cannot be shown to be justifiable.

The Forestry Commission also follows good employer practices aimed at ensuring that all staff work in an environment free from both illegal and unfair discrimination and harassment. Consolidated statements of the Commission's obligations with regard to equality of opportunity and diversity are shown in the Staff Handbook. Full details of these initiatives arising from the policies are also set out in the Human Resources Intranet site.

The Forestry Commission will monitor the success of its policies by:

- Collecting and analysing data as appropriate.
- Regularly reviewing procedures [recruitment, performance management,

promotion and pay] to ensure that they are free of unfair discrimination.

- Reporting the results of equality and diversity monitoring to the Personnel Management Sub-Committee on an annual basis.
- Liaising closely with Cabinet Office and other Government Departments to ensure

that we are keeping abreast of all changes in legislation and other developments.

Further information on the employment of persons with disabilities, the provision of information to, and consultation with, employees, and the promotion of equal opportunities is available on request from the Human Resources unit of the Forestry Commission.

### 13. AGENCY MANAGEMENT BOARD

The Agency Management Board gives strategic direction and leadership to the Forest Districts within England.

The membership for 2004-05 was:

<b>Geoff Hatfield</b>	Chief Executive (to 1 May 2004)
<b>Rod Leslie</b>	Head of Sustainability, and Acting Chief Executive (from 1 May 2004)
<b>Peter Ranken</b>	Head of Recreation and Development
<b>Brian Mahony</b>	Operations Manager
<b>Mark Thornycroft</b>	Head of Estates
<b>Ken Milsom</b>	Personnel Manager
<b>Steve Meeks</b>	Finance Manager
<b>David Williamson</b>	South East England Forest District Manager
<b>James Swabey</b>	Recreation and Community Manager (from 1 November 2004)
<b>Jo O'Hara</b>	Planning Manager (from 1 November 2004)

Geoff Hatfield left Forest Enterprise England Management Board on 1 May 2004 but continued to receive a salary as an employee of Forest Enterprise England until 31 December 2004.

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

### 14. AUDITORS

These accounts are audited by the Comptroller and Auditor General. The cost of the statutory audit is £49,000 (2003-04 £45,000).

P Hill-Tout  
Accounting Officer  
14 December 2005

# Statement of Forestry Commission's And Chief Executive's Responsibilities

1. Under Section 7 of the Government Resources and Accounts Act 2000, the Treasury has directed the Forestry Commission to prepare a statement of accounts for Forest Enterprise England for each financial year in the form and on the basis set out in the accounts direction at Appendix 1 to these accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the Forest Enterprise England state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

Accounting Officer, including his responsibility for the propriety and regularity for the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting". Under the terms of the Accounting Officers' Memorandum, the relationship between the department's Principal Accounting Officer and the Agency Accounting Officer, together with their respective responsibilities, is set out in writing.

2. In preparing the accounts the Forestry Commission is required to:

- observe the accounts direction at Appendix 1 to these financial statements, 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 have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that Forest Enterprise England will continue in operation.

3. As Principal Accounting Officer, the Director General of the Forestry Commission has designated Director, Forestry Commission England, as the Agency Accounting Officer. His relevant responsibilities as Agency

# Statement on 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 Forest Enterprise England policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Forestry Commission is a Great Britain cross-border department responsible for forestry matters and which has a Board of Commissioners with duties and powers prescribed by statute. Forestry is a devolved matter. The Secretary of State for Environment, Food and Rural Affairs has responsibility for forestry in England as well as certain activities such as international affairs, plant health and forest research which remain reserved by Westminster.

The Forestry Commissioners are statutorily responsible for the stewardship of the estate placed at their disposal by Ministers. The Forestry Commissioners have delegated to the statutory England National Committee, the normal exercise of their powers and duties in connection with the estate. In turn, the National Committee has delegated management of the estate to the Agency. The National Committee is chaired by a non-executive Forestry Commissioner and its members include a further two non-executive Commissioners, the Director England, the Agency Chief Executive and an observer from the Department for Environment, Food and Rural Affairs.

The Director General is the Deputy Chairman of the Forestry Commissioners and the senior official in the Forestry Commission. In addition to his role as a Commissioner, he is the Principal Accounting Officer, formally responsible to Parliament for the financial affairs of the Forestry Commission, including the Agency. In practice, the Director General's role in relation to the Agency is delegated to the Director England as Additional Accounting Officer.

The Director England is the executive Forestry Commissioner responsible to the Forestry Minister and to the Director General for the work of the Forestry Commission in England. The Director England is appointed Additional Accounting Officer and is a member of the England National Committee. He is responsible, on behalf of the Forestry Commissioners, for the oversight of the Agency. In particular, the Director England is responsible for advising the England National Committee and Ministers on the Agency's Corporate Plan and performance targets and for ensuring the Agency operates a proper system of financial management. The Director England also advises the England National Committee and Ministers on the strategic direction of the Agency, performance management and on ensuring that the Agency has the resources, delegations and authorities necessary to effectively deliver its remit.

The Chief Executive of the Agency is responsible, normally through the Director England, to the National Committee for the management of the estate, and of the Agency and its staff. The Chief Executive has a right of direct access to the Commissioners and to the Minister, and will meet them at least once a year. The Chief Executive is a member of

# Statement on Internal Control

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the National Committee and is designated as Agency Accounting Officer, responsible for the Agency's accounts and financial procedures and for the proper, effective and efficient use of resources provided to the Agency within the terms of the Framework Document and in pursuit of the agreed objectives and targets. In particular, the Agency Chief Executive is responsible for:

- preparing the Agency's Corporate Plans and for achieving the targets set in them;
- appointment and organisation of the Agency's staff, and deployment of other resources to achieve the aims and objectives;
- maintaining financial and management information systems to assist in the monitoring and control of performance;
- preparing and submitting the Agency's Annual Report and Accounts;
- establishing and chairing an Agency Management Board comprising senior managers within the Agency.

The Director General, Director England and Agency Chief Executive are liable to be summoned to appear before the Public Accounts Committee to answer for their respective responsibilities. It will be for Ministers to decide who should represent them at other Parliamentary Committee hearings. In practice, where a Committee's interest is confined to the day-to-day operations of the Agency, Ministers will normally regard the Chief Executive as the person best placed to appear on their behalf.

In the absence of a permanent Chief Executive for Forest Enterprise England in 2004-05, I have retained the Agency Accounting Officer's responsibilities for the Agency's accounts and financial procedures, and for the proper, effective and efficient use of resources provided to the Agency within the terms of the Framework Document and in pursuit of the agreed Corporate Plan objectives and targets.

## **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 Forest Enterprise England 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 Forest Enterprise England for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## **3. CAPACITY TO HANDLE RISK**

Forest Enterprise England has taken a positive approach to risk that it feels is entirely appropriate to its role and remit. Risk management is the responsibility of every member of staff in the Agency. Everyone has a role to play in managing the risks within their own area of authority. Risk awareness

# Statement on Internal Control

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and responsibility lies in parallel with the structure of Forest Enterprise England's objectives. At every level of objective there is an equivalent delegation of responsibility of associated risk.

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

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

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

#### **4. THE RISK AND CONTROL FRAMEWORK**

Forest Enterprise England is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and

developments in best practice in this area.

In particular, in the period covering the year to 31 March 2005 and up to the signing of the accounts Forest Enterprise England has:

- Attended risk management workshops involving all relevant parts of the Forestry Commission, including Internal Audit, in June and September 2004. The purpose of the workshops was to share experiences of handling risk at country and agency level and to review progress on embedding risk management. It was agreed to restructure the methodology and format of the risk registers to more clearly identify inherent and residual risk together with the control framework in place to manage this within an acceptable level. A working group was set up to take this forward and the revised methodology was discussed at the meeting of the Forestry Commission Risk Management Group at the end of July 2005.
- Endorsed a revised Forestry Commission risk policy statement presented to the Forestry Commission Executive Board in February 2005. The Forestry Commission Audit Committee agreed that the revised statement, incorporating changes debated by the Committee, should be tabled at a future meeting of the Board of Commissioners. This took place in September 2005.
- Updated the existing Forest Enterprise England risk register to reflect newly identified potential risks and appropriate control measures for agreement by management board members in April 2005.

# Statement on Internal Control

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The size and membership of the Forestry Commission Audit Committee is designed to represent all parts of the Forestry Commission. A non-executive Commissioner represents England and the Agency Chief Executive can attend meetings if there are specific Forest Enterprise England issues. The Committee met three times during the year, in April, September and December 2004, to consider a range of reports from management, and from internal and external audit. As part of the governance framework, the Board of Commissioners received oral reports from the Committee Chair on business during the year and a more formal annual report on the discharge of its duties in June 2005.

The Audit Committee, in the main, deals with higher level issues concerning control and governance. Director England and the Agency Chief Executive are provided with more detailed advice on the work of Internal Audit in particular, and control in general, via their local Internal Control Committee (ICC).

The Committee covers both Forestry Commission England and Forest Enterprise England business. The ICC's objectives are to:

- provide a forum for senior management to discuss internal control and audit matters;
- promote understanding of the internal audit role and objectives;
- assist the Head of Internal Audit in defining the scope of audit coverage and assessing priorities.

The Committee met twice during the year, in September 2004 and March 2005 to receive reports on audit activity, risk management and

feedback on the work of the Audit Committee.

## 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 Forest Enterprise England who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Forestry Commission England Executive Board, the Forest Enterprise Management Board, the Forestry Commission Audit Committee and the Forestry Commission England ICC. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal Audit has prepared an annual report and assurance statement to me as Agency Accounting Officer. The report includes an overall assessment of the adequacy and effectiveness of risk management, control and governance within Forestry Commission and Forest Enterprise England. The Director General, as Principal Accounting Officer, has received a similar report and assurance statement including any comments specific to the Great Britain core responsibilities. The overall opinion is that internal control within Forestry Commission and Forest Enterprise England continues to provide **substantial** assurance that material risks to the achievement of objectives are adequately managed.

# Statement on Internal Control

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In line with the Internal Audit Strategy, the opportunity was taken in 2004-05 to reassess the assurance level provided by the work of two areas with their own internal inspection regime. These were health and safety, and accounting inspections. Both received a substantial opinion, though Internal Audit made a number of recommendations on the accounting inspection process which will be actioned during 2005-06.

A review of the structure, interactions and functioning of the Forestry Commission's corporate governance framework was undertaken during 2004-05 by Internal Audit and the Corporate and Forestry Support Division. It covered the decision-making bodies at both Great Britain level and within countries. During the review, Internal Audit referred to two best practice guides, the draft Code of Good Practice on corporate governance in government departments and the CMPS Toolkit on maximising board effectiveness. The Forestry Commission's Executive Board will now consider the recommendations before proposing changes for approval by the Board of Commissioners. A separate review will be undertaken of the structure, relationship and work of the Audit Committee and ICCs during 2005-06.

Under present arrangements, the Chief Executive relies on the organisational structure for managing risk with clear responsibilities at every level supported by a Risk Management Group whose role is to assist in the development of good risk management practice throughout the Forestry Commission. During 2005-06, Forest Enterprise England will introduce a framework of Certificates of Assurance to further support the signing of the

Statement on Internal Control.

## **6. SIGNIFICANT INTERNAL CONTROL PROBLEMS**

The bank accounts held by the Forestry Commission serve all 3 countries including Forest Enterprise England. It is vital that the Forestry Commission can reconcile transactions in its accounting ledger with the associated cash transactions recorded in its commercial bank accounts and its account with the Office of the Paymaster General.

During 2004-05, the Finance and Accounting shared service did not complete the necessary periodic reconciliations between the ledger and bank accounts within the scheduled timescale. The main problem arose from system changes made in July 2004 to further automate and improve the processes involved. When the problem was identified, the Forestry Commission employed an additional, external resource to cover the backlog. Internal Audit reviewed the work and confirmed that the reconciliations as at March 2005 were complete, accurate and valid and that the system in use stood up to scrutiny. During the review, Internal Audit identified some areas for improvement to help the audit process which will feed into a wider review of banking arrangements initiated by senior management. The Forestry Commission Finance Director has confirmed that the reconciliations for 2005-06 are up to date.

P Hill-Tout  
Accounting Officer  
14 December 2005

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

## **FOREST ENTERPRISE ENGLAND**

I certify that I have audited the financial statements on pages 147 to 168 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 151 to 155.

## **Respective responsibilities of the Agency, Director, Forestry Commission England and Auditor**

As described on page 139, the Agency and Director, Forestry Commission England are responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions.

The Agency and Director, Forestry Commission England are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with

the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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.

I review whether the statement on pages 140 to 144 reflects the Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

## **Basis of audit opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Director, Forestry Commission England in the preparation of the

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

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financial statements, and of whether the accounting policies are 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 are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of Forest Enterprise England at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn  
National Audit Office  
Comptroller and Auditor General  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

16 December 2005

# Forest Enterprise England

## Income and Expenditure Account

### FOR THE YEAR ENDED 31 MARCH 2005

		2004-05	2003-04
	Note	£000	£000
<b>Operating Income</b>			
Sales of Timber		17,347	16,835
Forest Protection and Maintenance		425	307
Management and Development of Estate	2	8,786	7,878
		<b>26,558</b>	25,020
<b>Operating Expenditure</b>			
Forest Planning		2,454	2,895
Harvesting and Haulage of Timber		10,061	10,217
Forest Roads		2,198	2,150
Forest Protection and Maintenance		12,240	12,207
Management and Development of Estate	2	8,817	10,466
		<b>35,770</b>	37,935
		<b>(9,212)</b>	(12,915)
<b>Operating Deficit</b>			
<b>Recreation, Conservation &amp; Heritage</b>			
Income		9,944	8,841
Expenditure		21,494	18,474
		<b>(11,550)</b>	(9,633)
<b>Operating Deficit Net of R,C &amp; H</b>			
		<b>(20,762)</b>	(22,548)
Surplus/(deficit) on sale of properties	4	967	(33)
Deficit		(19,795)	(22,581)
Notional cost of capital	5	(14,690)	(14,056)
		<b>(34,485)</b>	(36,637)
<b>Net Deficit for the Year</b>		<b>(34,485)</b>	(36,637)
Transferred to General Fund		<b>(34,485)</b>	(36,637)

There have been no acquisitions and discontinued operations during the year.  
The notes on pages 151 to 168 form part of these accounts.

# Forest Enterprise England Statement of Total Recognised Gains and Losses

## FOR THE YEAR ENDED 31 MARCH 2005

		<b>2004-05</b>	2003-04
	Note	<b>£000</b>	£000
Net deficit for the year		<b>(34,485)</b>	(36,637)
Realised revaluation surplus	12/13	<b>3,342</b>	97
Revaluation surplus/(deficit) for the year	13	<b>41,644</b>	(1,913)
Total recognised gains and losses for the year		<b>10,501</b>	(38,453)

The notes on pages 151 to 168 form part of these accounts.

# Forest Enterprise England

## Balance Sheet

### AS AT 31 MARCH 2005

	Note	2004-05 £000	2003-04 £000
<b>Fixed Assets</b>			
Tangible assets	6	437,429	399,948
<b>Debtors falling due after more than one year</b>	8	243	241
<b>Current Assets</b>			
Stocks	7	3,280	3,245
Debtors	8	6,197	5,803
Cash at banks and in hand	9	21	13
		<b>9,498</b>	9,061
<b>Creditors (amounts falling due within one year)</b>	10	<b>(5,645)</b>	(5,808)
<b>Net Current Assets</b>		<b>3,853</b>	3,253
<b>Creditors (amounts falling due after more than one year)</b>	10	<b>(1,833)</b>	(1,856)
<b>Provision for Liabilities and Charges</b>	11	<b>(561)</b>	(1,264)
		<b>(2,394)</b>	(3,120)
<b>Total Assets less Liabilities</b>		<b>439,131</b>	400,322
<b>Capital and Reserves</b>			
General fund	12	349,480	349,231
Revaluation reserve	13	89,326	51,024
Donated Asset Reserve	14	325	67
<b>Total Capital and Reserves</b>		<b>439,131</b>	400,322

The notes on pages 151 to 168 form part of these accounts.

P Hill-Tout  
Accounting Officer  
14 December 2005

# Forest Enterprise England

## Cash Flow Statement

### FOR THE YEAR ENDED 31 MARCH 2005

	Note	2004-05 £000	2003-04 £000
Net cash outflow from operating activities	15	(20,488)	(16,971)
<b>Capital expenditure and financial investment</b>			
New planting	6	(907)	(1,122)
Payments to acquire tangible fixed assets	6	(1,345)	(3,568)
Receipts from sale of properties	4	5,863	1,532
Receipts from sale of other tangible fixed assets		113	234
Net Capital		3,724	(2,924)
<b>Net Cash Outflow after Capital</b>		<b>(16,764)</b>	<b>(19,895)</b>
<b>Financing</b>			
Deficit funded by Forestry Commission		16,772	19,896
Increase/(decrease) in cash		8	1
<b>Reconciliation of Net Cash Flow to movement in Net Funds</b>			
Increase/(decrease) in cash		8	1
Net funds at 1 April 2004		13	12
<b>Net funds at 31 March 2005</b>		<b>21</b>	<b>13</b>

The notes on pages 151 to 168 form part of these accounts.

## 1. ACCOUNTING POLICIES

### 1.1 Accounting Convention

In accordance with Section 7 of the Government Resource and Accounts Act 2000, the accounts are drawn up in a format agreed and approved by the Treasury. The accounts are prepared under the modified historical cost convention where assets are reflected at current values. Without limiting the information given, the accounts meet the requirements of Companies Acts and of the Financial Reporting Standards where relevant.

### 1.2 Tangible Fixed Assets

Legal ownership of all land and buildings is vested in the Secretary of State 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. Where the agency is the principal beneficial user of assets owned by the Secretary of State or Forestry Commissioners these are treated as a fixed asset of the agency. See also "Leases" at 1.10. below.

#### Forest Estate

Between 1993 and 2002, the forest estate was valued every five years on an open market basis (OMV) using regional valuation panels consisting of the Forestry Commission's land agent and two private sector firms. It was done on a forest district basis taking account of the species mix, age, yield class and other relevant factors. The valuation was carried out on the basis of the forest estate being sold in an orderly manner as between a willing seller and a willing buyer in full accordance with public accountability and assuming its existing use. It was further assumed that no restraints

exist, as they do in practice, from title, statute and environmental considerations.

For the purpose of the valuation as at 31 March 2003, the panels were re-organised into country panels comprising the Forestry Commission's country land agent and two external valuers under the direction of the Director Estate Management. The panels agreed that the valuation should be done on the basis of existing use value (EUV) as the valuation is carried out for the purposes of company accounts and they are non-specialised assets occupied by the owners of the interest for the purposes of the business. The valuation was carried out in accordance with the RICS Appraisal and Valuation Standards (the "Red Book") and a valuation instruction agreed with each panel. A valuation certificate was issued by each panel which confirmed that there was no material difference between the EUV and OMV methods of valuation.

In the absence of a relevant annual forestry based index, the Forestry Commission obtained an external professional opinion of the open market value in the intervening years between 1998 and 2003, which was outside the RICS Red Book Guidelines and made without reference to the valuation panels which undertook the 1998 five-year revaluation. This policy will continue to operate during the period up to the next full revaluation as at 31 March 2008.

#### Non-Forest Land

Non-forest land was assessed as at 31 March 2002 in accordance with our policy of revaluing it at three-yearly intervals by professionally qualified staff employed by the

# Notes to the Accounts

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Forestry Commission following the principles set out in the RICS Red Book. Valuation was on the basis of Open Market Value or Existing Use Value as appropriate under the RICS guidance. From 1 April 2002, non-forest land has been restated to current value annually using an unequipped agricultural land index provided by the District Valuer.

Non-forest land was scheduled to be re-assessed as at 31 March 2005 in accordance with the three-yearly interval stated in the previous accounting policy. It has been decided, however, to bring the policy in line with UK GAAP and undertake a professional valuation of non-forest land on a five-yearly basis with a formal review in the third year. The first five-yearly valuation will be undertaken at 31 March 2008 to coincide with the next full revaluation of the Forest Estate.

In 2004-05, professionally qualified staff employed by the Commission carried out a review into the use of the unequipped agricultural land indices provided by the District Valuer. The review concluded that use of the indices provided a reasonable restatement of the current value of non-forest land. The indices were therefore used to restate values as at 31 March 2005 and will be used in each year until the professional valuation at 31 March 2008.

## **Dwellings and Other Buildings**

Dwellings and other buildings were assessed as at 31 March 2002 in accordance with our policy of revaluing at three-yearly intervals by professionally qualified staff employed by the Forestry Commission following the principles set out in the RICS Red Book. Valuation was on the basis of Open Market Value or Existing

Use Value as appropriate under the RICS guidance. From 1 April 2002, dwellings and other buildings has been restated to current value annually using appropriate indices provided by the District Valuer.

Dwellings and other buildings were scheduled to be re-assessed as at 31 March 2005 in accordance with the three-yearly interval stated in the previous accounting policy. It has been decided, however, to bring the policy in line with UK GAAP and undertake a professional valuation of dwellings and other buildings on a five-yearly basis with a formal review in the third year. The first five-yearly valuation will be undertaken at 31 March 2008 to coincide with the next full revaluation of the Forest Estate.

In 2004-05, professionally qualified staff employed by the Commission carried out a review into the use of the indices provided by the District Valuer. The review concluded that use of the indices provided a reasonable restatement of the current value of dwellings and other buildings. The indices were therefore used to restate values as at 31 March 2005 and will be used in each year until the professional valuation at 31 March 2008.

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

## **Forest Holidays Land and Buildings**

Forest Holidays land and buildings represent cabin sites and campsites that are operated on a commercial basis. Each site is valued annually using valuations provided by a professional firm of valuers who specialise in the leisure industry. Values are undertaken on an Existing Use or Depreciated Replacement

Cost basis following the principles set out in the RICS Red Book and are based on each site's commercial potential to possible buyers.

### **Land and Buildings for Disposal**

Assets within the Forest Estate, Non-forest Land, Forest Holidays land and buildings, Dwellings and other buildings may be actively marketed for sale. These assets 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.

### **Forestry vehicles, machinery and equipment (VME)**

Forestry vehicles, machinery and equipment (VME) are revalued every three 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.

### **Office machinery and equipment (OME)**

Office machinery and equipment (OME) values are restated to current value each year using indices provided by the Office for National Statistics.

The normal threshold for capitalisation of assets is £1,500.

### **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.

### **1.3 Depreciation of Tangible Fixed Assets**

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

Depreciation is provided on all other tangible fixed, including donated, 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
  - up to 60 years
- Buildings held under a finance lease
  - lesser of unexpired term of lease and 60 years
- Forestry vehicles, machinery and equipment
  - over 3 to 16 years
- Office equipment
  - over 4 to 20 years

# Notes to the Accounts

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## 1.4 Donated Assets

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve.

Subsequent revaluations are also taken to this reserve. Each year an amount equal to any depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure Account.

## 1.5 Stocks

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

- timber at the cost of production;
- seed at the lower of cost of collection or net realisable value;
- plants and livestock at net realisable value;
- consumable materials and supplies held for continuing use are valued at cost or, where materially different, current replacement costs, and at net realisable value only when they either cannot or will not be used.

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.

## 1.6 Provision for Bad and Doubtful Debts

Specific provisions for bad and doubtful debts are set aside based on an annual review.

## 1.7 Research and Development

Expenditure on research and development is treated as an operating cost in the year in

which it is incurred and taken to the income and expenditure account.

## 1.8 Capital Charge

A notional charge, reflecting the cost of capital used by Forest Enterprise England, is included in the income and expenditure account.

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.

## 1.9 Taxation

Forest Enterprise England is not subject to corporation tax.

The Forestry Commission is registered for value added tax (VAT) and accounts for it on a Great Britain basis, which includes any VAT transactions for Forest Enterprise England. Any VAT due to or from HM Customs and Excise at the year end is included in the Forestry Commission Great Britain/England accounts as a debtor or creditor. Irrecoverable VAT is charged to the income and expenditure account in the year in which it is incurred.

## 1.10 Leases

Where substantially all the risks and rewards of ownership of a leased asset are borne by the Forestry Commission (a Finance Lease), the right to use the asset is recorded as a tangible fixed asset of the agency.

A corresponding debt is recorded to the lessor represented by the minimum lease payments discounted by the Treasury discount rate of 3.5% in real terms. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in

relation to the balance outstanding. Costs in respect of operating leases (any lease other than a Finance Lease) are charged on a straight-line basis over the lease term.

Where land held under a lease give the Forestry Commissioners a right to carry out forestry activities on the land, the value of timber including uncut trees, is treated as a fixed asset of the agency. These values are included in the valuation of the Forest Estate.

## 1.11 Insurance

In accordance with normal government accounting practice, Forest Enterprise England carries its own insurance risks.

## 1.12 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded. The Forestry Commission recognises the expected cost of providing pensions 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.

Further information on pensions is contained in Note 3 to the accounts.

## 1.13 Provisions

Forest Enterprise England 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 (currently 3.5 per cent).

## 1.14 Third Party Assets

Forest Enterprise England acts as co-ordinator for the Interreg Project which is funded by the European Union. The purpose of the Interreg Project is to promote recreation and conservation in forestry. The duties of co-ordinators include receiving EU funds on behalf of partners for onward transmission once work programmes have been approved. As third party assets these sums are not recorded on the face of these accounts. A disclosure is made in the accounts of amounts owing to third parties at the balance sheet date.

## 2. OPERATING DEFICIT

### 2.1 The operating deficit net of recreation, conservation and heritage is stated after charging:

	2004-05 £000	2003-04 £000
Depreciation of fixed assets	2,253	2,116
Hire of plant and equipment	858	738
Operating lease rentals:		
Land and buildings	128	220
Other	1,996	1,270
Auditors' remuneration – audit work	49	45
Auditors' remuneration – non-audit work	-	-

# Notes to the Accounts

Expenditure includes the cost of shared central services provided to Forest Enterprise England. As part of the Forestry Devolution Review, shared central services are defined as those where a single provider is considered the best solution, in terms of practicality, cost or the needs of stakeholders although primary direction comes from the countries. Six areas of work are identified as shared services:

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

For each of the shared services, a service board was formed composed of 'intelligent

buyers' from the countries and Forest Research together with the service provider. The boards have joint accountability for the operation of these services to ensure the needs of the customer and the wider organisation are met. Charges were made at regular intervals during the year with any non-material balances left with the service provider.

Business units covering mechanical and civil engineering and nurseries charge for their services under service level agreements agreed with their 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 Forest Enterprise England through a service level agreement and charges internal Forest Enterprise England customers in the year. The Forest Research Agency is charged for shared services and business unit costs where appropriate.

## 2.2 Income and Expenditure from Management and Development of the Estate Included in the Operating Deficit are:

	Income	Expenditure	2004-05 Net	2003-04 Net
	£000	£000	£000	£000
Forest Holidays	4,057	3,413	644	1,313
Estate Management	2,971	3,476	(505)	(352)
Reversal of impairment	-	(1)	1	(2,928)
Other	1,758	1,929	(171)	(621)
<b>Totals</b>	<b>8,786</b>	<b>8,817</b>	<b>(31)</b>	<b>(2,588)</b>

Forest Holidays is a distinct stand-alone business unit within the Forestry Commission, set up to provide holiday accommodation in the forests on a commercial basis. Within the post devolution structure, it has remained a GB wide business, with a remit for all sites in England, Wales and Scotland. For management purposes, Forest Holidays is part of Forest Enterprise England's recreation and development team but charges for Scotland and Wales are separately accounted for within each country.

Estate Management reflects the net cost of managing the non-forested estate which comprises houses, farms, agricultural land and all other lettings. It includes surplus assets which are disposed of wherever possible.

Other expenditure includes agency work carried out on a full cost recovery basis, net income earned by Mechanical Engineering Services business unit and sale of Christmas trees.

## 3 STAFF COSTS AND NUMBERS

### 3.1 Employees and Costs

The average number of whole time equivalent persons employed in Forest Enterprise England during the year was 934 (927 in 2003-04). In addition, the number of whole time equivalents employed as Agency/ Temporary staff was 14. The aggregate payroll costs were as follows:

	2004-05	2003-04
	£000	£000
Salaries	19,629	18,250
Social Security Costs	1,422	1,315
Employers Superannuation Costs	2,285	2,124
Agency/temporary staff	92	38
	<b>23,428</b>	<b>21,727</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** ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2004-05, employers' contributions of £2,277,000 were payable to the PCSPS (2003-04 £2,124,000) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on

salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2005-06, the salary bands will be revised and the rates will be in the range between 16.2% and 24.6%. The contribution rates reflect benefits as they accrue, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £7,753.12 were paid to one or more of a panel of three appointed stakeholder pension

# Notes to the Accounts

providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £430.03, 0.8 per cent 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.

## 3.2 SALARY AND PENSION ENTITLEMENTS

The salary and pension entitlements of the members of the Forest Enterprise England Management Board were as follows:

	2004-05		2003-04	
	Salary	Benefits in kind	Salary	Benefits in kind
	£000	£100	£000	£100
Geoff Hatfield (left 1 May 2004)	<b>60-65</b>	-	75-80	-
Peter Ranken	<b>65-70</b>	-	65-70	-
Rod Leslie	<b>55-60</b>	-	50-55	-
Brian Mahony	<b>55-60</b>	-	50-55	-
Mark Thornycroft	<b>50-55</b>	-	45-50	-
Ken Milsom	<b>50-55</b>	-	45-50	-
Steve Meeks	<b>45-50</b>	-	40-45	-
David Williamson	<b>45-50</b>	-	45-50	-
James Swabey (from 1 November 2004)	<b>45-50</b>	-	40-45	-
Jo O'Hara (from 1 November 2004)	<b>30-35</b>	-	30-35	-

Geoff Hatfield left Forest Enterprise England Management Board on 1 May 2004 but continued to receive a salary as an employee of Forest Enterprise England until 31 December 2004.

### Salary

'Salary' includes gross salary and performance bonuses.

### 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. The advances of salary for house purchase scheme had 23 loans with an outstanding balance of £2,500 or more to individual members of staff at 31 March 2005. The total value of these loans was £261,000.

### Loans to senior staff

Loans are made to senior staff in the form of an advance of salary for house purchase. The loans are made on the same terms as are available to other staff. The amount outstanding at 31 March 2005 amounted to £71,000 (£71,000 at 31 March 2004).

## Pension

	Real increase in pension and related lump sum (LS) at age 60 (£k)	Total accrued pension at age 60 at 31 March 2005 and related lump sum (LS) (£k)	CETV at 31 March 2004 (nearest £k)	CETV at 31 March 2005 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Employer contribution to partnership pension account including risk benefit cover – to nearest £100
Geoff Hatfield	0-2.5 plus LS of 0-2.5	25-30 plus LS of 75-80	413	445	6	-
Peter Ranken	0-2.5 plus LS of 0-2.5	25-30 plus LS of 85-90	466	499	11	-
Rod Leslie	0-2.5 plus LS of 2.5-5.0	20-25 plus LS of 60-65	283	327	25	-
Brian Mahoney	0-2.5 plus LS of 0-2.5	15-20 plus LS of 45-50	233	259	11	-
Mark Thornycroft	0-2.5 plus LS of 2.5-5.0	10-15 plus LS of 35-40	203	227	14	-
Ken Milsom	0-2.5 plus LS of 0-2.5	20-25 plus LS of 60-65	345	373	9	-
Steve Meeks	0-2.5 plus LS of 0-2.5	20-25 plus LS of 65-70	250	269	4	-
David Williamson	0-2.5 plus LS of 0-2.5	10-15 plus LS of 35-40	170	190	10	-
James Swabey	0-2.5	20-25	225	268	28	-
Jo O'Hara	0-2.5 plus LS of 0-2.5	5-10 plus LS of 15-20	59	71	8	-

Pension benefits are provided through the Civil Service Pension (CSP) 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

# Notes to the Accounts

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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).

Further details about the CSP arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

Columns 3 and 4 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 5 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A 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 CSP arrangements and for which the CS Vote has received a transfer payment commensurate to 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.

## 4. SALE OF PROPERTIES

	2004-05	2003-04
	£000	£000
Income	5,863	1,532
Book value	4,400	(1,336)
	<b>1,463</b>	196
Disposal costs		
External costs	(182)	(67)
Administration expenses	(314)	(162)
	<b>(496)</b>	(229)
Surplus/(deficit) on sale of properties	<b>967</b>	(33)

## 5. NOTIONAL COST OF CAPITAL

Notional cost of capital based on 3.5% of average total assets less liabilities employed in 2004-05 amounted to £14,690,000.

## 6. TANGIBLE FIXED ASSETS

	Forest Estate £000	Land £000	Forest Holidays Land £000	Dwellings and Other Buildings £000	Forest Holidays Buildings £000	VME £000	OME £000	AUC £000	Total £000
<b>Valuation:</b>									
At 1 April 2004	323,759	21,763	2,195	43,689	8,046	7,522	1,309	586	408,869
Additions	1,250	-	-	41	-	133	58	770	2,252
Donations	-	-	-	255	-	-	-	-	255
Transfers	-	-	-	-	-	590	6	-	596
Disposals	(126)	(3,626)	-	(714)	-	(1,319)	(102)	-	(5,887)
Write-off	-	-	-	-	-	-	-	(26)	(26)
Revaluation	28,697	7,962	575	4,415	290	(73)	-	-	41,866
Reversal of impairment	-	-	-	-	-	-	2	-	2
<b>At 31 March 2005</b>	<b>353,580</b>	<b>26,099</b>	<b>2,770</b>	<b>47,686</b>	<b>8,336</b>	<b>6,853</b>	<b>1,273</b>	<b>1,330</b>	<b>447,927</b>
<b>Depreciation:</b>									
At 1 April 2004	-	-	-	2,431	491	4,927	1,072	-	8,921
Provided during year	-	-	-	1,309	299	571	74	-	2,253
Transfers	-	-	-	-	-	485	3	-	488
Disposals	-	-	-	(66)	-	(1,215)	(102)	-	(1,383)
Revaluation	-	-	-	218	-	-	-	-	218
Reversal of impairment	-	-	-	-	-	-	1	-	1
<b>At 31 March 2005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,892</b>	<b>790</b>	<b>4,768</b>	<b>1,048</b>	<b>-</b>	<b>10,498</b>
<b>At 31 March 2005</b>	<b>353,580</b>	<b>26,099</b>	<b>2,770</b>	<b>43,794</b>	<b>7,546</b>	<b>2,085</b>	<b>225</b>	<b>1,330</b>	<b>437,429</b>
At 1 April 2004	323,759	21,763	2,195	41,258	7,555	2,595	237	586	399,948

Note 1, Accounting Policies, sets out the basis on which fixed assets are revalued.

# Notes to the Accounts

The forest estate was subject to a full professional revaluation on the basis of existing use value as at 31 March 2003 by country valuation panels comprising John Clegg & Co. Chartered Surveyors, Raymond-Barker and Co. Chartered Surveyors and professionally qualified land agents employed by the Forestry Commission. The next full revaluation is due as at 31 March 2008 with annual updates in the intervening years based on an external professional opinion. For 2004-05, valuations were updated using indexation information provided by John Clegg & Co., Chartered Surveyors.

Non-forest land and dwellings and other buildings were scheduled to be re-assessed as at 31 March 2005 in accordance with the three-yearly interval stated in the previous accounting policy. It has been decided, however, to bring the policy in line with UK GAAP and undertake a professional valuation of non-forest land and dwellings and other buildings on a five-yearly basis with a formal review in the third year. The first five-yearly valuation will be undertaken at 31 March 2008, to coincide with the next full revaluation of the Forest Estate, with annual updates in the intervening years based on indices provided by the District Valuer.

Development land in East Anglia was revalued to an Open Market basis at 30 September 2004 following award of planning permission. The revaluation of Other Land includes £3,260,000 in respect of this. The land was subsequently sold in March 2005.

Forest Holidays land and buildings were revalued by Barrs and Co. Chartered Surveyors of Leeds as at 31 March 2005.

Forestry vehicles, machinery and equipment (VME) were subject to a triennial revaluation as at 31 March 2005 by professionally qualified staff employed by the Forestry Commission. The next full revaluation is due as at 31 March 2008 with annual updates in the intervening years 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.

Office machinery and equipment (OME) was restated to current value as at 31 March 2005 using an index provided by the Office for National Statistics.

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

## 7. STOCKS

	2004-05	2003-04
	£000	£000
Timber	487	359
Plants and seed	2,220	2,295
Consumable materials, supplies and livestock	573	591
	<b>3,280</b>	3,245

## 8. DEBTORS

	2004-05	2003-04
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade debtors	4,747	4,487
Other debtors	245	608
Prepayments	1,205	708
	<b>6,197</b>	5,803
<b>Amounts falling due after more than one year:</b>		
Other debtors	243	241
	<b>6,440</b>	6,044

## 9. CASH AT BANKS AND IN HAND

	2004-05	2003-04
	£000	£000
Cash at commercial banks and in hand	21	13
	<b>21</b>	13

## 10. CREDITORS

	2004-05	2003-04
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade creditors	3,392	3,983
Other creditors	129	186
Accruals and deferred income	1,177	974
Current part of finance leases	85	-
Payments received on account	862	665
	<b>5,645</b>	5,808
<b>Amounts falling due after more than one year:</b>		
Finance leases	1,833	1,856
	<b>7,478</b>	7,664

The creditor's disclosure has been changed from previous years by the inclusion of a line for 'accrued charges and deferred income'. In previous years accruals were included in trade creditors and deferred income was included in other creditors.

Forest Enterprise England acts as co-ordinator for the Interreg Project which is funded by the European Union. The purpose of the Interreg Project is to promote recreation and

conservation in forestry. The duties of co-ordinators include receiving EU funds on behalf of partners for onward transmission once work programmes have been approved. As third party assets these sums are not recorded on the face of these accounts. At 31 March 2005 the amount held in Forestry Commission bank accounts on behalf of partners was £309,360.07. This has subsequently all been transferred to the partners concerned.

# Notes to the Accounts

## 11. PROVISION FOR LIABILITIES AND CHARGES

	Early departure costs	Public legal claims	Other legal claims	Total
	£000	£000	£000	£000
Balance at 1 April 2004	329	780	155	1,264
Provided in the year	104	99	128	331
Provisions not required written back	-	(769)	(128)	(897)
Provisions utilised in the year	(112)	(11)	(27)	(150)
Unwinding of discount	13	-	-	13
<b>Balance at 31 March 2005</b>	<b>334</b>	<b>99</b>	<b>128</b>	<b>561</b>

Provisions for liabilities and charges include provisions for:

- Early departure costs;
- Legal claims from the public for personal injury or damage caused to property; and
- Compensation for injury to employees.

## 12. GENERAL FUND

	2004-05	2003-04
	£000	£000
Balance brought forward	349,231	349,835
<b>Movement in year:</b>		
Net deficit for the year	(34,485)	(36,637)
Notional cost of capital	14,690	14,056
Cash deficit funded by Forestry Commission	16,772	19,896
Transfers of fixed assets from/to other Forestry Bodies	107	364
Transferred to general fund (realised element of revaluation reserve)	3,342	97
Non-cash inter-country transfers	(177)	1,620
	249	(604)
Balance carried forward	349,480	349,231

## 13. REVALUATION RESERVE

	2004-05 £000	2003-04 £000
Cumulative revaluation reserve brought forward	51,024	53,034
<b>Revaluation deficit for the year ended 31 March 2005:</b>		
Forest Estate	28,697	(7,487)
Land	7,962	1,643
Forest Holidays land	575	560
Forest Holidays buildings	290	358
Dwellings and other buildings	4,193	2,938
VME	(73)	75
OME	-	-
	<b>41,644</b>	<b>(1,913)</b>
Transferred to general fund (realised element of revaluation reserve)	(3,342)	(97)
Balance carried forward	89,326	51,024

The following realised revaluation surpluses were transferred to the General Fund:

	2004-05 £000	2003-04 £000
Forest estate	-	(47)
Other land	(3,260)	-
Buildings	(76)	(50)
VME	(6)	-
	<b>(3,342)</b>	<b>(97)</b>

A realised element (£3,260,000) was transferred from the Revaluation Reserve to General Fund in respect of development land in East Anglia. The land was revalued to an Open Market basis at 30 September 2004 following award of planning permission.

## 14. DONATED ASSET RESERVE

	2004-05 £000	2003-04 £000
Balance at 1 April 2004	67	-
Additions during the year	255	67
Revaluations	4	1
Release to I&E	(1)	(1)
Balance at 31 March 2005	325	67

# Notes to the Accounts

## 15. RECONCILIATION OF NET DEFICIT TO OPERATING CASH FLOWS

	2004-05	2003-04
	£000	£000
Net deficit for the year	<b>(34,479)</b>	(36,637)
Notional cost of capital	<b>14,684</b>	14,056
Depreciation charges	<b>2,253</b>	2,116
Donated asset reserve released	<b>(1)</b>	(1)
(Profit)/loss on sale of properties	<b>(1,463)</b>	(196)
Tangible fixed asset write-off	<b>26</b>	-
Impairment of tangible fixed assets	<b>(1)</b>	2,928
(Profit)/loss on sale of other tangible fixed assets	<b>(10)</b>	(140)
Non-cash inter-country transfers	<b>(177)</b>	1,620
(Increase)/decrease in stocks	<b>(35)</b>	(1,392)
(Increase)/decrease in debtors	<b>(396)</b>	(267)
Increase/(decrease) in creditors	<b>(186)</b>	475
Increase in provisions	<b>(703)</b>	467
Net cash outflow from operating activities	<b>(20,488)</b>	(16,971)

## 16. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounts to £442,000 and pertains to courtyard re-development at the Dalby visitor centre in North York Moors.

## 17. COMMITMENTS UNDER LEASES

### Operating leases

Commitments on operating lease rentals for the next year are as follows:

	2004-05	2003-04
	£000	£000
<b>Land and building leases expiring within:</b>		
One year	-	7
Two to five years	<b>13</b>	13
More than five years	<b>115</b>	115
	<b>128</b>	135
<hr/>		
	2004-05	2003-04
	£000	£000
<b>Other leases expiring within:</b>		
One year	<b>287</b>	136
Two to five years	<b>1,709</b>	827
More than five years	-	-
	<b>1,996</b>	963

## Finance leases

Obligations under finance leases fall due as follows:

	2004-05	2003-04
	£000	£000
Rentals due in one year or less	85	-
Rentals due in more than one year but not more than two years	86	-
Rentals due in more than two years but not more than five years	256	316
Rentals due in more than five years	1,491	1,540
	<b>1,918</b>	<b>1,856</b>

## 18. OTHER FINANCIAL COMMITMENTS

Forest Enterprise England has contract commitments for artist fees and stage rental for the 'Forest Concert Tour 2005' at various venues in England of £1,230,000.

## 19. CONTINGENT LIABILITIES

There were no contingent liabilities.

## 19. RELATED PARTY TRANSACTIONS

The Forestry Commission is regarded as a related party. During the year, Forest Enterprise England has had a significant number of material transactions with the Forestry Commission.

In addition, Forestry Commission Great Britain/England has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission has had dealings are H M Treasury, UK Co-ordinating Body, the Paymaster General's Office, Customs and Excise, the Inland Revenue, the Department for the Environment, Food and Rural Affairs, the Office of the Deputy Prime Minister, the North West Development Agency and Yorkshire Forward.

In the year to 31 March 2004, the Forestry Commission entered into the following material transactions involving the non-executive Commissioners of the Forestry Commission:-

Martin Gale, a non-executive Forestry Commissioner was, at 31 March 2005, Chairman of Tilhill Forestry and Vice President, International Forestry, UPM-Kymmene Corporation. UPM-Kymmene is the parent company of Shotton Paper, Caledonian Paper and Tilhill Forestry Ltd. Tilhill Forestry has an interest in BSW Timber plc.

The value of purchases from Forest Enterprise England was:

BSW Timber plc	£254,000
Tilhill Forestry	£746,000

Amounts owing to Forest Enterprise England at 31 March 2005 were:

BSW Timber plc	£35,000
Tilhill Forestry	£184,000

## 20. LOSSES STATEMENT

Losses totalled £29,000 from 48 cases (£99,000 from 40 cases in 2003-04).

# Notes to the Accounts

Special payments totalled £92,000 from 29 cases (£139,000 from 43 cases in 2003-04).

## 21. FINANCIAL INSTRUMENTS

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

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

## 22. FINANCIAL PERFORMANCE MEASURES

The financial performance measures set by the Forestry Commissioners for 2004-05 and the actual outturns achieved were:

	Achieved £000	Target £000
Operating deficit	9,212	12,271
Cash deficit	16,764	18,000
Gross receipts from sale of properties	5,896	5,400

### Liquidity risk

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

### Interest-rate risk

Forest Enterprise England is not exposed to interest-rate risk.

### Foreign currency risk

Forest Enterprise England is not exposed to foreign currency risk.

### Fair Values

There is no difference between book value and fair value for the cash at bank shown in Note 9. Fair value for the provisions shown in Note 11 is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury rate of 3.5% in real terms.

### **ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 7 OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000**

1. The Forestry Commission shall prepare accounts for Forest Enterprise of its activities in England for the financial year ended 31 March 2002 and subsequent years, comprising:

- (a) a foreword;
- (b) an income and expenditure account;
- (c) a statement of total recognised gains and losses;
- (d) a balance sheet;
- (e) a cash flow statement;
- (f) a statement of Accounting Officer's responsibilities; and
- (g) a statement on internal control;

including such notes as may be necessary for the purposes referred to in the following paragraphs.

2. The accounts shall give a true and fair view of the income and expenditure, and cash flows for the financial year, and the state of affairs as at the end of the financial year.
3. Subject to this requirement, the accounts shall be prepared in accordance with:
  - (a) generally accepted accounting practice in the United Kingdom (UK GAAP);

- (b) the disclosure and accounting requirements contained in "The Fees and Charges Guide" (in particular those relating to the need for segmental information for services or forms of service provided) and in any other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;

- (c) the accounting and disclosure requirements of "Government Accounting", as amended or augmented from time to time,

insofar as these are appropriate to Forest Enterprise and are in force for the financial year for which the accounts are to be prepared.

4. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.

5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:

- (a) the forest estate at its existing use value;
- (b) land and buildings at their existing use value where a market exists, otherwise at depreciated replacement cost;
- (c) machinery, plant and equipment at current replacement cost;

# Appendix 1

## Accounts Direction

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(d) commercial recreation assets at their existing use value; and

(e) stocks of seed at the lower of cost or net realisable value, stocks of plants and livestock at net realisable value and stocks of consumable materials at current replacement cost.

6. This direction shall be reproduced as an appendix to the accounts and supersedes that dated 21 March 2002.

David Loweth  
Head of the Central Accountancy Team  
HM Treasury

21 May 2002

### **APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS**

#### **Companies Act**

1. The disclosure exemptions permitted by the Companies Act shall not apply to Forest Enterprise unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to Forest Enterprise shall be contained in the foreword.
3. The income and expenditure account shall be in a form which discloses the information described in paragraph 2 of Schedule 2, as the recommended formats described in Schedule 4 to the Companies Act are not appropriate for Forest Enterprise.
4. When preparing its balance sheet, Forest Enterprise shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act. The balance sheet totals shall be struck at 'Total assets less liabilities'.
5. Forest Enterprise is not required to provide the historical cost information described in paragraph 33(3) of Schedule 4 to the Companies Act.
6. The foreword and balance sheet shall be signed by the Accounting Officer and dated.

#### **Accounting standards**

7. Forest Enterprise is not required to include a note showing historical cost profits and losses as described in FRS 3.
8. The cash flow statement shall be presented under the indirect method as described in FRS 1.
9. Forest Enterprise shall not adopt the Financial Reporting Standard for Smaller Entities unless specifically approved by the Treasury.

### ADDITIONAL DISCLOSURE REQUIREMENTS

#### Foreword

1. The foreword shall, inter alia:

- (a) state that the accounts have been prepared in accordance with a direction given by the Treasury in accordance with Section 7 of the Government Resources and Accounts Act 2000;
- (b) include a brief history of Forest Enterprise and its statutory background.

#### Income and Expenditure Account

2. The income and expenditure account shall show, inter alia:

- (a) under "operating income":
  - sales of timber
  - other forest sales
  - other activities
- (b) under "operating expenditure (by activity)":
  - harvesting and haulage of timber
  - restocking after felling
  - forest roads
  - forest maintenance and protection
  - other activities
- (c) the resulting operating surplus/deficit shall be shown as a separate heading
- (d) under "recreation, conservation and heritage":
  - income
  - expendituregiving operating surplus/deficit net of recreation, conservation and heritage

(e) the surplus/deficit arising from the sale of properties and the notional cost of capital

(f) the "net surplus/deficit for the year" which shall be transferred to the general fund.

3. Minor changes may be made to the headings in the accounts without the approval of the Treasury.

#### Notes to the Accounts

4. The notes to the accounts shall include, inter alia:

- (a) details of the key corporate financial targets for the year and performance achieved against those targets for the year;
- (b) details of the total income, expenditure and operating result for each of the operations shown within "other activities", together with explanatory notes of the financial objectives set and performance achieved;
- (c) an analysis of the total staff costs and numbers of employees engaged on Forest Enterprise activities and the relevant disclosure elements of the Greenbury Code.

# Forestry Commission National and Conservancy Boundaries



# Forest Enterprise Boundaries



# Addresses of the Main Offices of the Forestry Commission

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