



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

AN IRISH  
Talmhaíochta agus  
Forbartha Tuaithe  
MINISTERE O  
Fairs an  
Kintra Forderin



**INVESTORS  
IN PEOPLE**



**FOREST SERVICE**

# ANNUAL REPORT

## 2014 - 15





**Forest Service Annual Report and Accounts  
For the year ended 31 March 2015**

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

*on*

*1 July 2015*

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**Annual Report**  
**for the year 1 April 2014 – 31 March 2015**

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*Ess-na-Crub Waterfall, Glenariff Forest Park, County Antrim*



# Chief Executive's Foreword



I am pleased to present the Annual Report and Accounts of the Forest Service for the year ended 31 March 2015.

We achieved five of the seven Key Targets set by the Minister and seventeen of the twenty-one supporting targets.

The challenges we and our customers continued to face during the year due to tree diseases, notably caused by *Phytophthora ramorum* affecting larch species and Chalara dieback of ash (*Hymenoscyphus fraxineus*), required that we react to the issues innovatively and purposively. We were able to embed plant health functions into the Forest Service at the start of the year, and we are now considering how best to invest in plant health processes to improve our ability to monitor and respond to new threats. We are grateful to colleagues in the Republic of Ireland's Department of Agriculture, Food, and the Marine (DAFM) for their co-operation and support as we implement the all island Chalara control strategy together.

We made good progress against our business priority to produce an income from forests and the supporting target to supply timber, and we have good evidence that this has been achieved in ways that protect forest environments and promote their social use. We were encouraged that our partners in local government, the National Trust, and communities worked with us to make key investments in forests to promote tourism and public recreation.

We were pleased that there is continuing interest in tree planting, albeit at a modest level; nevertheless the individual investments and commitments by private forest owners are significant and we are confident that this will continue to be supported through the next Rural Development Programme.

We made slower progress than hoped for in some business areas, including our intention to publish a procurement strategy for investment by the wind energy industry on forestry land. However, we made substantial progress in understanding grid connection requirements, wind farm layouts, energy production estimates, and financial output models. This will better inform our decisions about the way ahead.

Our plans to relocate Forest Service headquarters to Fermanagh were substantively progressed and work to refurbish accommodation in Enniskillen is underway. We have turned our thoughts to a staff transition plan and are working with the Department to redeploy staff in time to relocate in September 2015.

A handwritten signature in black ink that reads "Malcolm Beatty". The signature is written in a cursive, slightly slanted style.

**MALCOLM BEATTY**  
Chief Executive  
22 June 2015





*Woodburn Forest, County Antrim*



## History and Statutory Background

The Forest Service is an Executive Agency of the Department of Agriculture and Rural Development (DARD); it is subject to the overall direction of the Minister. It promotes afforestation and sustainable forestry, and it is responsible for plant health matters.

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

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

## Management Board/Structure

Appointments to the Management Board are automatic on joining the senior management team. One non-executive board member (NEBM) was appointed by arrangement with DARD and another is a senior employee of the Strategic Investment Board (SIB), on loan to Forest Service.

At 31 March 2015 the Board members were:

**Malcolm Beatty** FICFor, CPFA (Chief Executive)

**Kevin Hegarty** (NEBM, SIB)

**Pauline Keegan** (NEBM, DARD)

**Marcus McAuley** CEnv (Corporate Services)

**John Joe O'Boyle** (Forestry)

**Ian Irwin** (Forest Management)

**Stuart Morwood** MICFor (Woodland Development and Strategies)

**Jim Crummie** (Plant Health Inspection)

**Diane Stevenson** (Plant Health Policy)

The Chief Executive has overall responsibility for achieving the aims, objectives and targets set out in the Business Plan with each executive director having ownership and responsibility for achieving objectives and targets within their management control.

## **Conflict of Interests**

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

## **Accounts Direction**

The Forest Service's Accounts for the Financial Year 31 March 2015 have been prepared in accordance with the Department of Finance and Personnel Direction under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001 in compliance with HM Treasury Government Financial Reporting Manual (*FreM*).

## **Pension Costs**

Further details in relation to the pension schemes are given in Remuneration Report and Note 1.13 to the accounts.

## **Auditors' Remuneration**

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

The audit of the financial statements for 2014-15 resulted in a notional audit fee of £14,000 (2013-14: £14,000) and is included in Programme Costs – Non-Cash items in the Statement of Comprehensive Net Expenditure. The auditors did not provide any non-audit services during the year.

## **Security of Personal Data**

Forest Service is committed to the safeguarding of personal data and has set in place appropriate measures to ensure its security. Detailed advice on the type of information, which is considered to be personal data and how it should be handled, is available from the Department's Information Management Branch (IMB) and via the Branch's Intranet site. Forest Service staff have been advised that it is their personal responsibility to ensure that any document with sensitive information, including personal data, is appropriately secured and to ensure that, in the case of data held electronically, appropriate access controls are put in place to prevent unauthorised access, whether deliberate or accidental, by others.

## **Human Resource Development**

The Agency has staff located at its headquarters in Belfast, in DARD Direct Offices and at three main forest offices in Enniskillen, Castlewellan, and Garvagh. Forestry training is provided by the College of Agriculture, Food, and Rural Enterprise (CAFRE) under a Service Level Agreement.

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

We follow the NI Civil Service Code of Practice on the employment of people with disabilities. Our aim is to ensure that disability is not a barrier to recruitment or advancement, and does not unreasonably limit training opportunities and career development.



We are committed to the Investors in People standards. We place a high priority on staff training and development in order to enhance staff skills for the achievement of our business objectives and to improve job satisfaction. The following indicates the Agency's commitment to staff development:

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

The Management Board monitors Human Resource issues including absence statistics, and the Board is assisted by our Departmental HR Business partner who attends our Board meeting on a quarterly basis to provide information and advice within the broader Departmental context. The Management Board encourages consultation and exchange of information within the Agency. This is brought about through team briefings, circulars and our intranet. There are also well-established arrangements for formal consultation with representatives of the trade unions (both non-industrial and industrial) on all significant developments likely to impact on staff. We consult regularly with representatives of the industrial workforce at the Joint Industrial Council. We also meet regularly with NIPSA, who represent our non-industrial staff.

We have made staff aware that their personal objectives contribute to the business objectives of the Agency. Accordingly, they are responsible, in consultation with their line managers, for planning their personal objectives and development in ways that will enable them to contribute to the achievement of the Agency's business objectives by meeting the current demands of the job and maximising their future contribution. We utilise the NICS Performance Management System whereby we review staff performance in-year and at year-end.

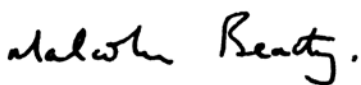
### **Information Systems and Development**

The main online vehicle for communicating with the public is the 'Forests' section on the NI Direct website:

**[www.nidirect.gov.uk/forests](http://www.nidirect.gov.uk/forests)**

Other Forest Service business information is accessible at:

**<http://www.dardni.gov.uk/index/forestry.htm>**



**MALCOLM BEATTY**  
**Chief Executive**  
**22 June 2015**





*Portglenone Forest, County Antrim*



## Vision and Aims for 2014-15

The policy is to encourage forest expansion, to manage forests sustainably, and to enhance plant health on an all Ireland basis. The aims are to increase the area of forest to 12% of land area; to provide an income from forests, to protect the environment, to promote the social use of forests; and to control and eradicate plant pests and diseases that occur in, but are not normally present, in Northern Ireland.

## Business Priorities for 2014-15

Within the context of implementing our strategic aims, we agreed a number of business priorities for the 2014-15 business year. These were to:

- Encourage forest expansion;
- Manage forests in a sustainable and cost-effective way and exploit opportunities for renewable energy investment;
- Invest funds from the Executive's Economy and Jobs Initiative in recreation and tourism infrastructure;
- Enhance plant health on an all Ireland basis; and
- Prepare to move Forest Service Headquarters to Fermanagh.

The 2014-15 Business Plan set out the actions, key and supporting targets, or milestones to address these priorities. Our performance is recorded below:



## Progress against Key Strategic Targets and Objectives

Business Priorities, Key or Supporting target or milestone	2014-15 Outturn
<b>Encouraging forest expansion</b>	
Key Target 1. Achieve creation of at least 100 hectares of new woodland.	Target Achieved 208 hectares approved for payment.
Key Target 2. Plan to incur NIRD P expenditure of at least £1.3m on forestry projects.	Target Achieved £1.41m approved for payment.
<b>Managing forests sustainably</b>	
Key Target 3. Obtain income of at least £7.95m from forest resources.	Target Achieved £9.403m from forest resources.
Key Target 4. Deliver a £2m programme of works in forests in support of the Executive's Jobs and Economy Initiative.	Target Not Achieved £1.6m expenditure incurred.
Supporting Target A. Maintain the validity of our Certificate of Registration SA-FM/COC-002480 (FSC Certified).	Target Achieved Certificate in place.
Supporting Target B. Maintain the annual supply of wood for industrial processing at a minimum of 400,000 m <sup>3</sup> .	Target Achieved 401,800 m <sup>3</sup> achieved.
Supporting Target C. Complete planning reviews for forests in East Fermanagh and Armagh.	Target Achieved Planning reviews completed.
Supporting Target D. Cut 100 ha of Rhododendron and laurel in high risk forests.	Target Achieved
Supporting Target E. Produce a draft timber production forecast at the scale of landscape unit.	Target Achieved
Supporting Target F. Report on status of Forest Service ancient woodland sites.	Target Achieved
Supporting Target G. Publish results of forest visitor surveys.	Target Achieved
Supporting Target H. Establish service baselines for recreation and tourism.	Target Achieved



Supporting Target I. Determine 90% of valid felling licence applications within 3 months.	Target Achieved 62 applications were received, 61 applications (98%) were processed within 3 months.
<b>To enhance plant health on an all Ireland basis</b>	
Key Target 5. With DAFM, implement the actions in the all-island strategic plant health and pesticides work programme and update Ministers at NSMC Agriculture meetings.	Target Achieved Ministers noted the progress of the all-Ireland strategic plant health and pesticides working programme at the North South Ministerial Council Agriculture meeting on 25th February 2015.
Key Target 6. Document the operational requirement for staff and resources to progress the transition of DARD plant health functions to Forest Service by end June 2014.	Target Achieved
Supporting Target J. Achieve at least 95% of planned inspections, surveys, and samples.	Target not achieved for horticulture marketing standards and routine bee health inspections.  Higher Priority was given to inspection, surveillance, and enforcement activities in <i>P. ramorum</i> , European Foul Brood, and ash dieback.
Supporting Target K. Develop a protocol for the cross border movement of timber affected by <i>Phytophthora ramorum</i> .	Target Achieved
Supporting Target L. Support an All-Ireland conference on the causes and management of the disease causing dieback of ash trees.	Target Achieved Conference on 8 May 2014 opened by DARD and DAFM Ministers, and attended by 140 delegates.
Supporting Target M. Contribute to the establishment of a Plant Health consultation forum consisting of a broad range of industry stakeholders by August 2014.	Target Achieved

<b>Exploitation of wind energy opportunities on the forest estate</b>	
Key Target 7. Publish a procurement strategy for the exploitation of opportunities for wind farm development on the Forest Service estate.	Target Not Achieved Substantial progress was made evidencing the Outline Business Case - final reports received on grid connection scenarios, draft wind farm layouts, energy production estimates, and draft financial model outputs.
Supporting Target N. Develop a business case with recommendations on next steps by the end of September 2014.	Target Achieved Strategic Outline Business Case approved November 2014.
Supporting Target O. Inform stakeholders of strategy progress and anticipated timeline and next steps by the end of December 2014.	Target Not Achieved External stakeholders (NIE, SONI, Utility Regulator, Planning Service, RSPB, NIEA, etc) advised in Q4 re timelines and strategy. Informal discussions with developers ongoing throughout 2014.
<b>Manage our business and deliver services to our customers in a cost effective way</b>	
Supporting Target P. Achieve the Agency average annual days sick absence of 7.5 days per employee.	Target Achieved Average annual days sick absence per employee = 6.7 days.
Supporting Target Q. Develop, review, and submit a training plan to training providers.	Target Achieved
Supporting Target R. Publish the number of days since the last reportable accident.	Target Achieved 6 reportable accidents in total for 2014-15. 57 days since last reportable accident on 2 <sup>nd</sup> February 2015.
Supporting Target S. Implement recommendations from reviews of electronic [TRIM] and paper records, and the DARD information 'legacy' project.	Target Not Achieved Substantial progress; paper records report informed wider relocation / business change project. TRIM review delayed.
Supporting Target T. Provide a business plan and operational requirement for a replacement GIS system by December 2014.	Target Achieved
Supporting Target U. Complete an assessment of the merits of relocation to Inishkeen House, with HQ Relocations Division, by summer 2014; and develop a staff transition plan with DHR by March 2015.	Target Not Achieved Business case approved January 2015. Outline staff transition plans completed.



## **Business Priority 1**

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### **Encouraging forest expansion**

During the year, we paid £1.41 million to 1,329 landowners to encourage 208 hectares of new planting and to maintain plantations established in previous years. Payments came from the Rural Development Programme which is part funded by the European Commission. We paid 98% of 2014 annual premia payments by the year-end. 90% of the new planting consisted of broadleaved species and 116 hectares was new native woodland. We supported two owners to reinstate 18 hectares of Chalara affected woodland with alternative tree species.

This was the final year of the 2006-13 Rural Development Programme which paid out £13 million on forestry projects to maintain plantations established in previous years and supported 2,400 hectares of new planting. Proposals for the next Rural Development Programme were submitted to the European Commission in October 2014, in which we plan to encourage small-scale woodland planting through the Department's agri-environment scheme and larger scale planting through a separate Forestry Scheme.

## **Business Priority 2**

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### **Managing forests sustainably to produce an income, to protect the environment, and to promote social use of forests**

Our forests support development of the Northern Ireland economy by producing logs for industrial use. We earned £8.1 million from the sale of 402,000 cubic metres of logs. We estimate that our customers add £24 million of value to this, producing timber for construction, fencing, pallet and packaging, wood chip, sawdust and bark. We were pleased to see more of our timber supplies coming from tree thinning operations, which is part of our strategy to extend the life of plantations and reduce the impact of forestry operations on the environment.

We replanted 660 hectares of forest mainly after timber harvesting, but also to restore forests damaged by tree disease and fire. This included 133 hectares destroyed by fire in 2011.

We demonstrated that our forests were managed sustainably through a re-assessment audit carried out by SGS Qualifor, a Forest Stewardship Council® (FSC®) accredited certification body in February 2015. This confirmed that our forest management practice remains compliant with the UK Woodland Assurance Standard (UKWAS).

We achieved an appropriate balance between our economic, environmental, and social objectives by monitoring the structure and use of forests and planned investments and interventions such as tree felling. During the year, we reviewed our plans for 15,000 hectares of forest in Armagh, East Fermanagh, and East Tyrone Planning Units in consultation with those with an interest in these forests. The importance of collecting and analysing future growth data is an integral part of our business and during the year, we produced a draft timber production forecast at the scale of landscape units.

We completed a survey of over 1,000 hectares of our ancient woodland sites this year to identify and record remnant features and whether they were at risk. Results showed that while 70% of the area was not at risk, 30% was at some risk caused by shading of trees such as beech, western hemlock, and sycamore and invasive shrub species such as *Rhododendron*. The survey will enable us to prioritise work to protect and enhance the biodiversity in these woodlands.

We were able to improve the quality of our forests by cutting 100 hectares of *Rhododendron ponticum* and applying herbicide to 285 hectares of previously cut *Rhododendron* to control its re-growth. Over time, we expect these forests to develop a better quality native woodland flora.

## Forestry Fund

The Executive's Economy and Jobs Initiative has helped underpin our forest recreational infrastructure. Referred to as the "Forestry Fund", we invested £1.6 million in the development of significant new facilities at 9 forests, including modernisation of ablutions and changing rooms at the Clanbrassil Barn in Tollymore Forest Park, construction of a new children's play area in Drum Manor Forest Park, and construction of a new visitor reception building in Florence Court forest.

At a further eight forests, the "Forestry Fund" helped us to make improvements to recreation facilities identified by local groups. This work was delivered through the Northern Ireland Environment Link (NIEL) Challenge Fund and £0.2million was invested in new developments such as play structures in Castlewellan and Tollymore Forest Parks, a fisherman's walkway beside the Derg River in Slievedoo Forest and the installation of forest-based webcams in Glenariff Forest Park which relay images of forest wildlife to screens in the visitor centre.

The "Forestry Fund" also allowed us to commission a survey to establish baseline information about visits to our forests as well as providing information on the quality of the visitor's experience. The report's key findings included an estimate of 4.7 million day visits to Forest Service woodlands annually and an average spend, within the local economy, of £20 per trip (including accommodation) to surveyed forests. This information will help support the case for future recreation and tourism investment.

## Social use of forests

Our work to establish partnership arrangements with local government led to significant new facilities in our forests during the past year. Cookstown District Council installed an outdoor gym and children's play area at Pomeroy forest and a children's play area at Davagh Forest. Magherafelt District Council installed signs at Iniscarn, Derrynoyd and Moydamlaght forests. Newry & Mourne District Council supported the installation of an interactive art project, 'The Giants Lair', in Slieve Gullion Forest, and Down District Council developed walking and casual cycle trails integrated with a children's play area beside a housing estate at Bunkers Hill in Castlewellan.

## Environmental Regulation

61 felling licences were issued covering an area of 431 hectares. 98% of applications were processed within 3 months. 26% of applications were on ancient or long established woodland sites, 89% of the area was for thinning or selective felling, and 5 licences were issued close to Areas of Special Scientific Interest (ASSI).

We received 13 reports of suspected felling of trees without the required licence. Each was investigated and in most cases the felling was compliant with the legislation, but we issued four notices requiring replanting of 2.3 hectares.

We provided opinions on 25 projects under the Environmental Impact Assessment (Forestry) Regulations (Northern Ireland) 2006 of which 15 related to afforestation projects and 10 related to deforestation projects. Two of the afforestation projects were deemed "relevant projects" due to their potential impact on breeding waders, hen harrier, and blanket bog priority habitat.

17 Habitats Regulations Assessments (HRAs) were completed for planned operations within existing Forest Service and private woodland within or close to Special Areas of Conservation (SACs) or Special Protection Areas (SPAs). HRAs are completed to comply with the Conservation (Natural Habitats etc) Regulations (Northern Ireland) 1995 as amended. One further HRA was completed for a planned afforestation project.



Forest Service has Appropriate Assessments in place to cover forestry operations in Forest Service forests in the Antrim Hills, Slieve Beagh, Mullaghfad and Lisnaskea SPA's, Owenkillew River, Lough Melvin and the River Foyle & Tributaries SAC's.

### **Business Priority 3**

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#### **To enhance plant health on an all Ireland basis (DARD Goal 3) and help the agri-food industry prepare for future market opportunities and economic challenges (DARD Goal 1)**

We worked closely with the Department of Agriculture, Food, and the Marine (DAFM) to respond to tree and plant disease outbreaks and to share knowledge and experience. Ministers noted the progress of the all-Ireland strategic plant health and pesticides working programme at the North South Ministerial Council Agriculture meetings. Key outputs of this work included the All-Ireland Chalara ash dieback conference which took place in Dundalk in May and the agreement of a protocol for the cross border movement of larch affected by *Phytophthora ramorum* to help the forestry industry process this timber.

We monitored woodland for symptoms of *Phytophthora ramorum* disease of larch and with the assistance of the Forest Commission carried out two aerial surveys in June and September followed by ground inspections. This confirmed that a further 45 hectares of larch were infected. The total area of infected larch is 1,045 hectares since the start of the outbreak, of which 975 hectares have been felled.

We carried out 1,300 inspections and made only two new findings of the pathogen *Hymenoscyphus fraxineus* (previously called *Chalara fraxinea*), the cause of ash dieback in recent plantings and no findings were made in the wider environment. We reported our surveillance results to the EU Standing Committee on Plant and Animal Health as part of a joint UK and Ireland presentation. The Standing Committee agreed that our surveillance programme should continue through 2015 to gather further evidence required to support any request for Protected Zone status for Northern Ireland and Ireland against *Chalara*.

For the first time in 25 years, we detected European Foul Brood which is caused by the bacterium *Melissococcus plutonius* in local apiaries and we required the owners to implement official controls. Working with local Beekeeping Associations, the National Bee Unit, the Animal & Plant Health Agency and with DAFM we increased awareness of the risk of introducing Small Hive beetle, a serious quarantine pest of bees, following its detection for the first time in Europe in southern Italy.

To support the export marketing of seed potatoes from Northern Ireland to the Canary Islands we participated in an official UK delegation that met the Spanish Phytosanitary Authorities to review implementation of import regulations.

The transfer of plant health functions from the Department's Service Delivery Group to Forest Service was completed during the year. A report identifying the organisation and resource requirement to progress this transition was completed in June 2014. This report will inform the development of a business case to identify where investment in plant health processes is required within Forest Service plant health functions, this will be a focus for our work in the coming year.

## ***Business Priority 4***

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### ***Exploitation of wind energy opportunities on the forest estate***

We seconded a Wind Energy Development Manager from the Strategic Investment Board (SIB) to lead this new area of work and good progress was made in assessing the potential and prioritising sites to be considered for wind farm development. We appointed expert external consultants to provide us with commercial and technical advice about wind farm layout, energy prediction, and grid connections on the forest estate. In turn, Forest Service staff provided them with detailed forest data to enable them to carry out their analysis.

An essential part of developing wind farms is to engage with stakeholders including the local community and we secured the services of an SIB advisor to lead this work to ensure that any development meets best practice. This work commenced with a review of existing schemes and best practice and then examined in detail how and whether such schemes could be delivered on our land. This involved meeting a wide variety of stakeholders including community leaders, council officers, commercial lenders, private equity investors, fund managers, non-government organisations (NGOs), academics, and developers to seek their views. We also met organisations with a statutory responsibility such as Northern Ireland Electricity (NIE) and Systems Operator for Northern Ireland (SONI) relating to grid connections and grid policy and Northern Ireland Environment Agency (NIEA) and Planning Service relating to planning and site potential. The information gathered during these meetings will help us develop our plans and together with the approval of the strategic outline business case in November 2014 are both essential parts of our procurement strategy, which will be a key focus for our work early in the coming year.

## ***Business Priority 5***

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### ***Manage our business and deliver services to our customers in a cost-effective way***

#### **Managing the Business**

Through working with the Department's HR team to implement absence management policy and participate in Departmental level initiatives flowing from staff attitude and health and wellbeing surveys, our absence management performance continued to improve in line with the Executive's targets for the Civil Service. We held a workshop at each of our four main offices to engage with staff on issues arising from the staff attitude action plan. This included a briefing and Q&A session on relocation.

Subsequently, each member of staff in a post affected by relocation was offered a 'one to one' interview to discuss their individual circumstances and preferences. This information enabled us to develop principles for staff transition and redeployment schedules aimed at striking the balance between facilitating staff while retaining business continuity.

Refurbishment of Inishkeen House in Enniskillen emerged as the preferred option arising from an economic appraisal of potential locations for relocation. Accommodation specifications have been agreed and works shall take place during 2015 with a scheduled hand-over date of mid September.

We developed and delivered a training plan covering management, administrative, technical, and industrial training needs. More work is required to fully streamline our paper and electronic records management processes and this shall be taken forward in line with NICS policy and guidelines in the coming year.



## Geographic Information System (GIS) and data management

Working in partnership with DARD's Digital Services Division, arrangements were put in place to secure the annual maintenance of the Forest Service GIS for a further 3-year period. This will include extending its functionality with regard to tools supporting forest planning and the management of operations.

During the year a number of global positioning (GPS) and global navigation satellite (GNSS) survey systems were developed and introduced to allow real-time monitoring in a number of operational situations including forestry, plant health inspections, and work supporting the Veterinary Service. Examples of these included: Forest inventory, enabling the capture and transfer of permanent sample plot measurements; Development of the tree safety inspection system, to enable zoning of forests in relation to public safety and targeting of tree safety management; Survey and data management in relation to *P. ramorum*; and managing reports received through the all-Ireland Tree Check App.

## Business Continuity

We maintained our liaison with the Northern Ireland Fire and Rescue Service (NIFRS) and DARD's Veterinary Service, as set out in Memorandum of Understanding, to ensure co-operation and integration with these organisations, as well as clarifying roles and responsibilities in relation to response to emergency incidents. We also maintained and reviewed our contingency plans for maintaining services from our various sites, including arrangements for temporary relocation, in the event of an emergency situation arising.

## Health and Safety

Forest Service is committed to ensuring 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.

The following table sets out the incidence of non-reportable (accidents involving minor injury and with less than 3 day absence) and reportable accidents (those causing incapacity for more than three days and reported to the Health & Safety Executive) for all staff in 2014-15 and in preceding years.

	Accidents Numbers	2010-11 (Per 100 employees)	2011-12 (Per 100 employees)	2012-13 (Per 100 employees)	2013-14 (Per 100 employees)	2014-15 (Per 100 employees)
Staff	Reportable	6 (2.7)	4 (1.8)	3 (1.4)	2 (1)	6 (2.6)
	Non reportable	1 (0.5)	2 (0.9)	1 (0.5)	3 (1.5)	2 (0.9)
Public	Reportable	2	2	4	2	1
	Non Reportable	3	-	2	3	-

The table also shows the incidence of accidents to members of the public that are categorised as reportable (where a member of the public is taken directly to hospital for treatment and Forest Service reports this to Health and Safety Executive) and non-reportable (a member of the public reports a minor injury to Forest Service). All accidents to the public reported to Forest Service are recorded and details are sent to the Forest Service Health & Safety Officer for analysis, recording, and recommendations for appropriate action.

## Complaints Handling

Forest Service is committed to providing the highest possible standards of service to all its customers, and has adopted the Department's core standards of service that customers can expect to receive. Central to these is the facility for customers to lodge formal complaints if things go wrong. There were no complaints relating to quality of service received by the Agency during the year.

## Sustainability

Sustainability continues to be an underpinning principle of the Executive's Programme for Government 2011-15. Forest Service contributes to the strategic objective to 'Promote Sustainable Land Management' in the DARD Sustainable Development Implementation Plan. Key actions in 2014-15 included:

- Seeking to maintain high plant health status to protect our agricultural, horticultural and forest industries as well as the wider environment, by our action in tackling the fungal pathogen causing ash dieback disease and the fungus-like pathogen affecting Japanese larch and other common tree and shrub species.
- Delivery of the Woodland Grant Scheme to support planting of 208 hectares of new woodland; and
- Earning £9.4 million from forest resources, mostly arising from the sale of timber certified as coming from Forest Service's sustainably managed forests.

## Future Outlook

The timber industry has shown resilience and demand for timber remains strong.



## Resource Accounting and Budgeting

Throughout the year the Agency monitored performance against its resource based budget on an accruals basis.

### Net Operating Cost – 2014-15

The Statement of Comprehensive Net Expenditure shows the net cost of the Agency's operations on a full resource basis. The net operating surplus for 2014-15 was £7.013m (2013-14: an operating deficit of £18.252m).

The movement of £25.265m for 2014-15 is mainly due to the upward revaluation of timber credited to the Statement of Comprehensive Net Expenditure of £15.373m (2013-14: £13.346m downward revaluation), offset by increased programme costs following the transfer of the Plant Health function from DARD.

A detailed explanation for the movement in the timber valuation is provided at Note 11 to the annual accounts.

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

We managed our finances within the final budget set by the Department. We were required by the Department to contain our Departmental Running Costs (DRC) to £9.540m. Through a combination of careful planning and close monitoring of DRC, expenditure was constrained to £9.315m.

Category	2014-15	
	Budget	Expenditure
	£'000	£'000
Salaries & Wages	8,375	8,288
General Admin Expenses <sup>1</sup>	1,165	1,027
<b>TOTAL</b>	<b>9,540</b>	<b>9,315</b>

1. Staff related costs, accommodation costs, and office services.

### Non-Current Assets

Details of the movement of non-current assets are set out in notes 7 - 11 to the accounts.

### Payment to Suppliers

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the *Confederation of British Industry's Prompt Payers Code* and *British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions*. Unless otherwise stated in the contract, payment is due within 30 days of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. During the year, 96.95% of bills were paid within this Standard (2013-14: 97.38%).



From 1 December 2008, the Agency has operated a policy of seeking to pay for goods and services within 10 days. This is in accordance with the Supporting Businesses: Prompt Payment of Invoices initiative within the Northern Ireland Civil Service. During the year, 90.54% of bills were paid within the 10 day target (2013-14: 89.32%).

The *Late Payment of Commercial Debts (Interest) Act 1998*, which came into effect from 1 October 1998, enables suppliers to charge interest on overdue debts. The Agency made no payments during the year in respect of such claims.

### **Budget 2015-16**

In common with all public sector organisations, the Agency faces unprecedented financial pressures. Given the current economic outlook and the likely slow recovery from recession, further resource budget reductions are anticipated for the remainder of this decade as well as cumulative inflationary pressures.

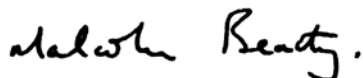
The immediate issue facing the Agency is the funding risk associated with the uncertainty surrounding possible reductions to the NI Block grant. The Agency will work with the Department to minimise the impact of any budget reductions.

### **Political and Charitable Donations**

The Agency made no political or charitable donations during the year.

### **Absenteeism Target**

The Ministerial set target for Forest Service was an average of 7.5 days; the Agency achieved an average 6.7 days.



**MALCOLM BEATTY**  
Chief Executive  
22 June 2015

Table 1

**FOREST SERVICE STATISTICAL SUMMARY 2014-2015**

	<b>Units</b>	<b>2014 - 15</b>	<b>2013 - 14</b>
Total area managed	Hectares	75,279	75,279
Forested area	Hectares	62,015	61,775
Acquisition Programme	Hectares	-	-
Disposal Programme	Hectares	308	-
Timber Production - roadside	Cubic metres	57,341	53,061
- standing	Cubic metres	344,569	372,134
New Planting	Hectares	-	-
Replanting	Hectares	914	1,065
Fire Damage	Hectares	-	2
Paying visitors to charged recreation areas	Thousands	339	310
Caravan/camping long stay sites(nights)	Thousands	57	54
Average staff numbers: - industrial	Full time equivalent persons	111	115
- non-industrial	Full time equivalent persons	121	88

Table 2

**RECORD OF HARVESTING: April 2014 - March 2015**

<b>DISTRICT</b>	<b>STANDING VOLUME (m<sup>3</sup>)</b>	<b>ROADSIDE VOLUME (m<sup>3</sup>)</b>	<b>TOTAL</b>
EAST	131,883	44,542	176,425
WEST	212,686	12,799	225,485
<b>TOTAL</b>	<b>344,569</b>	<b>57,341</b>	<b>401,910</b>

Note : All figures represent volume dispatched from forests

Table 3

**BREAKDOWN OF SALES : Agreed for April 2014 - March 2015**

Volumes to 7cm Top Diameter Over Bark (TDOB) to nearest cubic metre, areas in hectares

DISTRICT	VOLUME by SPECIES			THINNINGS			CLEARFELL			MISC. FELLING	TOTAL VOLUME
	Spruce	Other Conifers	Hard-woods	Area	Volume	Vol. Per hectare	Area	Volume	Vol. Per hectare		
<b>STANDING SALES</b>											
EAST	93,648	48,767	-	-	-	-	383	142,415	372	-	142,415
WEST	199,519	14,481	-	-	-	-	462	214,000	463	-	214,000
TOTAL	293,167	63,248	-	-	-	-	845	356,415	422	-	356,415
<b>ROADSIDE SALES</b>											
EAST	20,336	10,109	380	243	13,683	56	54	17,142	317	-	30,825
WEST	12,441	1,879	247	119	7,389	62	15	7,178	479	-	14,567
TOTAL	32,777	11,988	627	362	21,072	58	69	24,320	352	-	45,392
<b>ALL SALES</b>											
GRAND TOTAL	325,944	75,236	627	362	21,072	58	914	380,735	417	-	401,807



Table 4

## AVERAGE PRICES FOR CONIFEROUS TIMBER SOLD AT ROADSIDE

Average Volumes Per Tree in m <sup>3</sup> over bark	(a) 1 April 2014 to 31 March 2015		
	(b) 1 April 2013 to 31 March 2014		
	Volume m <sup>3</sup>	Total Price (Exc VAT) £	Average Price £/m <sup>3</sup>
Less than 0.075	(a) -	-	-
	(b) -	-	-
0.075 - 0.124	(a) 2,439	45,709	18.74
	(b) 1,929	38,119	19.76
0.125 - 0.174	(a) 8,031	174,626	21.74
	(b) 8,429	191,896	22.77
0.175 - 0.224	(a) 4,859	122,550	25.22
	(b) 2,608	60,252	23.10
0.225 - 0.274	(a) 2,828	84,157	29.76
	(b) 5,942	145,255	24.45
0.275 - 0.424	(a) 4,133	114,736	27.76
	(b) 12,726	304,333	23.91
0.425 - 0.499	(a) 5,561	167,989	30.21
	(b) 5,582	152,637	27.34
0.500 - 0.599	(a) 348	10,386	29.84
	(b) 7,603	226,632	29.81
0.600 - 0.699	(a) 1,085	32,758	30.19
	(b) 15,787	482,384	30.56
0.700 - 0.799	(a) 8,392	265,269	31.61
	(b) 1,261	37,040	29.37
0.800 - 0.899	(a) 5,712	186,051	32.57
	(b) 2,024	57,100	28.21
0.900 - 0.999	(a) -	-	-
	(b) -	-	-
1.000 and over	(a) 1,752	56,149	32.05
	(b) 2,621	87,613	33.43
TOTAL	(a) 45,140	1,260,380	27.92
	(b) 66,512	1,783,261	26.81

Table 5

## AVERAGE PRICES FOR CONIFEROUS TIMBER SOLD AT STANDING

Average Volumes Per Tree in m <sup>3</sup> over bark	(a) 1 April 2014 to 31 March 2015		
	(b) 1 April 2013 to 31 March 2014		
	Volume m <sup>3</sup>	Total Price (Exc VAT) £	Average Price £/m <sup>3</sup>
Less than 0.075	(a) -	-	-
	(b) -	-	-
0.075 - 0.124	(a) -	-	-
	(b) -	-	-
0.125 - 0.174	(a) -	-	-
	(b) -	-	-
0.175 - 0.224	(a) -	-	-
	(b) 7,432	73,027	9.83
0.225 - 0.274	(a) 4,184	65,660	15.69
	(b) 13,003	159,033	12.23
0.275 - 0.424	(a) 130,678	2,228,323	17.05
	(b) 116,136	1,929,402	16.61
0.425 - 0.499	(a) 72,078	1,472,324	20.43
	(b) 70,105	1,291,266	18.42
0.500 - 0.599	(a) 76,871	1,533,898	19.95
	(b) 92,106	1,833,407	19.91
0.600 - 0.699	(a) 58,350	1,227,108	21.03
	(b) 23,650	544,938	23.04
0.700 - 0.799	(a) 6,677	145,065	21.73
	(b) 24,043	546,365	22.72
0.800 - 0.899	(a) 5,726	125,766	21.96
	(b) -	-	-
0.900 - 0.999	(a) -	-	-
	(b) 12,226	270,714	22.14
1.000 and over	(a) 2,215	49,686	22.43
	(b) -	-	-
TOTAL	(a) 356,779	6,847,830	19.19
	(b) 358,701	6,648,152	18.53

# Remuneration Report

## **Remuneration Policy**

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a restructured SCS pay settlement broadly in line with the Senior Salaries Review Board report, which the Minister commissioned in 2010. The commitment to a Pay and Grading Review for SCS was the second phase of the equal pay settlement approved by the Executive.

The Chief Executive is the only senior civil servant employed by Forest Service.

## **Service Contracts**

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

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

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



## Salary and Pension Entitlements

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

### Remuneration (including salary) and pension entitlements [Audited]

#### Officials

	2014-15					2013-14				
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	*Pension benefits (to nearest £1000)	Total £'000	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	*Pension benefits (to nearest £1000)	Total £'000
Mr M Beatty (Chief Executive)	70-75	-	-	24,000	95-100	70-75	-	-	10,000	80-85
Mr JJ O'Boyle (Director Of Forestry)	60-65	-	-	11,000	70-75	60-65	-	-	13,000	75-80
Mr J Crummie (Director of Plant Health Inspection)	45-50	-	-	42,000	85-90	5-10 (45-50 Full year equivalent)	-	-	4,000	5-10
Mr I Irwin (Director of Forest Management)	50-55	-	-	13,000	60-65	50-55	-	-	7,000	55-60
Mr M McAuley (Director of Corporate Services)	50-55	-	-	13,000	65-70	50-55	-	-	6,000	55-60
Mr S Morwood (Director of Woodland Development & Strategies)	50-55	-	-	12,000	60-65	50-55	-	-	5,000	55-60
Mrs E Stevenson (Director of Plant Health Policy from 1 November 2014)	25-30 (60-65 Full year equivalent)	-	-	3,000	25-30	N/A	N/A	N/A	N/A	N/A

\*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases include increases due to inflation and any increase or decreases due to a transfer of pension rights.

## Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any ex-gratia payments.

## Benefits in kind

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

## Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2014-15 relate to performance in 2014-15 and the comparative bonuses reported for 2013-14 relate to the performance in 2013-14.

## Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in Forest Service in the financial year 2014-15 was £70-75k (2013-14: £70-75k). This was 2.84 times (2013-14: 2.85 times) the median remuneration of the workforce, which was £25,517 (2013-14: £25,422).

	2014-15		2013-14
Band of highest paid Directors total remuneration	£70-75k	Band of highest paid Directors total remuneration	£70-75k
Median total remuneration	£25,517	Median total remuneration	£25,422
Ratio	2.84	Ratio	2.85

Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

## Non-Executive Directors (NEDs)

*The non-executive directors received no remuneration for their position as a NED.*

## Pension Entitlements [Audited]

### Officials

	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/15	CETV at 31/3/14	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	nearest £100
Mr M Beatty (Chief Executive)	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 2.5-5.0	758	733	24	-
Mr JJ O'Boyle (Director Of Forestry)	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 0-2.5	544	508	10	-
Mr J Crummie (Director of Plant Health Inspection)	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 5.0-7.5	366	307	38	-
Mr I Irwin (Director of Forest Management)	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	294	270	8	-
Mr M McAuley (Director of Corporate Services)	20-25 plus lump sum of 60-65	0-2.5 plus lump sum of 0-2.5	374	345	10	-
Mr S Morwood (Director of Woodland Development & Strategies)	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	395	366	10	-
Mrs E Stevenson (Director of Plant Health Policy from 1 November 2014)	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 0-2.5	512	490	3	-



## Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements, which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are increased annually in line with increases in the CPI.

A new pension scheme, alpha, will be introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements will move to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is also a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate will be 2.32%. CARE pension benefits are increased annually in line with increases in the CPI.

For 2015, public service pensions will be increased by 1.2% for pensions, which began before 6 April 2014. Pensions, which began after 6 April 2014, will be increased proportionately.

Employee contribution rates for all members for the period covering 1 April 2015 – 31 March 2016 are as follows:

### Scheme Year 1 April 2015 to 31 March 2016

Pay band – assessed each pay period		Contribution rates – Classic members	Contribution rates –classic plus, premium, nuvos and alpha
From	To	From 01 April 2015 to 31 March 2016	From 01 April 2015 to 31 March 2016
£0	£15,000.99	3%	4.6%
£15,001.00	£21,000.99	4.6%	4.6%
£21,001.00	£47,000.99	5.45%	5.45%
£47,001.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of

service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in alpha will be linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension arrangements can be found at the website [www.dfpni.gov.uk/civilservicepensions-ni](http://www.dfpni.gov.uk/civilservicepensions-ni).

### Cash Equivalent Transfer Values

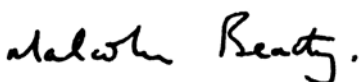
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement, which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

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

### Compensation for loss of office

There was no compensation paid for loss of office during the year.



**MALCOLM BEATTY**  
**Chief Executive**  
**22 June 2015**

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

Under Section 11 of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel has directed the Forest Service to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

The Accounting Officer of the Department of Agriculture and Rural Development has designated the Chief Executive as Accounting Officer of Forest Service. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in *Managing Public Money Northern Ireland*, published by the Department of Finance and Personnel.



# Governance Statement

## Governance Framework

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

I commenced a thorough review of our Framework Document in 2014-15 to reflect our expanded remit and the changed governance and shared service landscape now pertaining. I shall bring this to the Minister in 2015-16.

## Forest Service Management Board (FSMB)

I am supported by a Management Board. We agreed new terms of reference in 2014-15 that shall apply from April 2015. During 2014-15, the Board comprised of the Forest Service Directors plus two Non-Executive Directors who, as well as being fully involved in the monitoring of agency performance, financial, resource, and risk management, also provide a challenge function where appropriate. A new Director of Plant Health policy, Mrs. Diane Stevenson, joined the Board in November 2014.

The core purpose of the Board is to provide me with corporate level strategic direction, leadership to the organisation's operational and support staff, and financial management; within the parameters of policy set by and in consultation with the Minister. Its primary function is therefore to set the corporate business agenda and ensure that the organisation delivers its strategic goals and operational targets.

The Board is also responsible for the assessment and management of the risks associated with delivery of the Agency's functions. It is the role of the Board to communicate the vision, role, direction and priorities of Forest Service to staff and other stakeholders and to ensure effective allocation and management of its staff and financial resources. Members support me (as Accounting Officer) in the operation of sound corporate governance and risk management procedures, which secure and protect the resources under their control. The Board maintains a transparent system of prudent and effective controls, including internal controls.

The Board meets on a monthly basis, with agreed minutes (including records of attendance and decisions taken), published on our Intranet site. Board members are required at the beginning of each Board meeting to declare any conflicts of interest or any new interests. During the 2014-15 period, no declared interests were deemed to conflict with the conduct of Board business.

11 Forest Service Board meetings were held in 2014-15. The August meeting was cancelled due to leave commitments. Attendance details of members are summarised in the following table.

Name	Total Number of meetings in Year	Number of meetings attended
Malcolm Beatty	11	10
John Joe O'Boyle	11	11
Ian Irwin	11	11
Stuart Morwood	11	11
Marcus McAuley	11	11
Jim Crummie	11	10
Diane Stevenson <sup>1</sup>	11	4
Kevin Hegarty (Non Executive Director)	11	11
Pauline Keegan (Non Executive Director)	11	10

<sup>1</sup> Appointed November 2014

There is one formal Committee of the Board, the Forest Service Audit & Risk Assurance Committee (FSARAC).

### Forest Service Audit & Risk Assurance Committee (FSARAC)

FSARAC supports me in my responsibilities for risk control and governance by reviewing the comprehensiveness of assurances in meeting the Board's and Accounting Officer's assurance needs, and reviewing the reliability and integrity of these assurances.

FSARAC contribute to the overall Forest Service process for ensuring that governance, risk management and internal control processes operate effectively by forming a consolidated view of all assurance activity within the Forest Service.

It was chaired in 2014-15 by a senior civil servant from the Department for Regional Development who is independent of the Forest Service. Membership was refreshed in line with the Audit and Risk Assurance Committee Handbook (NI) issued during 2014-15 and the terms of reference were updated accordingly. The other members of the committee are one non- executive member of the Forest Service and two non-executive members from DARD.

FSARAC met on 3 occasions in 2014-15, as prescribed in the terms of reference. At each meeting the Committee is provided with a report summarising any changes to the Forest Service Corporate Risk Register, a progress report from the Head of DARD Internal Audit and other reports as required or requested.

Attendance details of members are summarised in the following table:

Name	Number of meetings attended
John McNeill (Chairperson)	3
John Joe O'Boyle <sup>1</sup>	2
Tom Rodgers <sup>1</sup>	1
Kevin Hegarty <sup>2</sup>	2
Pauline Keegan <sup>2</sup>	1
Lisa-Jane McIlveen <sup>2</sup>	2

<sup>1</sup>Stood down November 2014

<sup>2</sup> Appointed November 2014

## Key findings of FSARAC in 2014-15

The Committee noted:

- The coverage of internal audit plans at the outset of the year, conclusions of internal audit reviews conducted, progress by management, and follow up reviews conducted by Internal Audit in respect of previous audit recommendations, including the good progress on recommendations arising from earlier internal audits on Woodland Grant Schemes and the significant improvements made in their administration. Internal Audit work was conducted in accordance with the Internal Audit Public Sector Standards (PSIAS). The FSARAC noted that the annual plan of internal audit work was successfully completed and resulted in an overall satisfactory opinion;
- The continuing sensitivity of the timber asset value to comparatively small errors which could lead to a big impact on the balance sheet; and
- The continued high risk assessment associated with maintaining Plant Health. It was also noted that the risks relating to the Forest Service relocation to Fermanagh were being kept under review, particularly the potential loss of corporate knowledge and staff/skills.

## The Forest Service Management Board's (FSMB) performance

The Board carried out a formal review of its effectiveness based upon confidential individual questionnaires completed by all members. This concluded that the FSMB understands who its key stakeholders are and has a good relationship with them, reviews performance well against its business plan, considers all legal and ethical requirements, and ensures appropriate direction for the Agency. Members indicated satisfaction with meeting and committee structure, my handling of Board processes, and the performance of fellow directors.

I have noted the opinion in the Internal Auditors Annual Assurance Report on Forest Service. The overall conclusion of the audit report is that internal control arrangements are satisfactory.

The FSMB's work is informed by the work of the Soil Association who audit our management performance against the requirements of the UK Woodland Assurance Standard. The Soil Association confirms that there is sufficient evidence that our forests are sustainably managed for products manufactured from our timber to continue to be labelled with the Forest Stewardship Council<sup>®</sup> (FSC<sup>®</sup>) logo.

In summary, my review of the effectiveness of the Agency's system of internal control relies upon the directors' Stewardship Reports, the Information Security Risk Management Overview report, and the roles carried out by the Board, FSARAC, the Northern Ireland Audit Office, Internal Audit, and the Soil Association.

In overall terms, I am satisfied that the Agency's internal control systems provide reasonable assurance that all risks relating to the achievement of our policies, aims and objectives are being managed effectively.

## Corporate Governance

The Director of Forestry, the Director of Plant Health, the Director of Corporate Services, and the wind energy manager have responsibility to provide me with a signed Stewardship Report. Those reports acknowledge their responsibility for ensuring that objectives for which they are responsible are clearly defined and that all members of staff within their commands are aware of the objectives relevant to their work. In addition, they have acknowledged their responsibility for developing and

maintaining effective internal controls to provide reasonable assurance of achievement of these objectives. They have also provided me with specific details of actions taken in various areas of control.

I, in turn, have supplied the DARD Senior Finance Director with an Agency level Stewardship Report which confirms that the required governance arrangements are in place and being applied appropriately.

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

### **Forest Service (EAFRD Measures 1.3, 2.3 and 2.4)**

DARD Internal Audit provided a 'satisfactory' opinion on 2 April 2015 and Forest Service accepted a number of recommendations.

### **Losses and Special Payments**

In 2008 the Agency sold several parcels of land which were subsequently found to be subject to a lease. In March 2015 the Department negotiated with the current owner to purchase the land and agreed associated costs. The Agency is now reviewing its title to unregistered land and is in the process of registering all its land holdings.

### **Quality of the data used by the Board**

FSARAC advises my Board that operational work plans are adequate and appropriate in light of both known and emerging risks so ensuring high-level information on risk and control is brought to my attention to assist me in identifying priorities for action. I am further assured as to data quality by the professional competence of audit personnel including those in the Soil Association and by their systems and processes, and by the processes to prepare and present papers for Board meetings.

### **Disclosure of information**

So far as I am aware, there is no relevant audit information of which the Agency's auditors are unaware. I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

### **Data Handling**

Sound records management practices are in place that ensure the appropriate creation, maintenance, and disposal of important information held in paper and electronic formats. Information and information systems as assets are carefully controlled with segmental access provided as required to undertake tasks. The NICS information management systems allows for full audit functionality to minimise and track information risk. A Security Risk Management Overview report was prepared in 2014-15. There were no incidents of data loss reported during the year.

### **Risk Management**

The nature of the risk facing the Agency relates to its organisation, structure, achievement of in-year targets, the long-term sustainability of the forest resource and how this is used by forest visitors, and plant disease monitoring.



The FSMB leads the risk management process supported by a sub-committee. A risk register forms the basis of a risk management plan and is reviewed by the sub-committee on a regular basis. Ownership of risk rests with directors who ensure that individual staff are able to manage risk in a way appropriate to their authority and duties. The Board is also represented on the Department's Risk Review Group.

The Agency's risk profile includes managing direct risks to the public. The Agency adopts a duty of care to forest users and has procedures for defining safety arrangements for the protection of users in the vicinity of forestry operations. Those using recreation facilities in forests who require special permission for their activities and school parties who learn about environmental issues are advised to carry out their own risk assessments.

The main strategic risks within the Forest Service risk profile are entry and spread of serious plant disease, the impact of a collapse of the Northern Ireland timber market or loss of major customers and, in the longer term, loss of productivity of plantations due to pests and disease, storm damage, fire, and loss of nutrients in the soil. The immediate risks are included in the Agency's Risk Register and the wider Department's Corporate Risk Register, if appropriate. Strategic level risk is managed through emergency and contingency planning processes, the implementation of long-term contracts, and sharing knowledge about the growing stock with major customers.

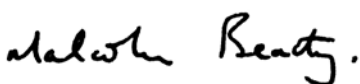
Experienced managers throughout the Agency manage risks through a process of inspection and review and plans are modified to take account of risks in the delivery of business objectives.

During the year, the work of the Agency focussed on the risks relating to diseases affecting trees, those affecting timber sales, and stewardship of financial resources and assets including National and EU grant and Economy and Jobs Initiative funds.

I am content that the Agency is in compliance with the principles of good governance set out in the 2013 Corporate Governance Code for central government departments. The following arrangements are in place:

- I have access, through the DARD Senior Finance Director, to leadership, expertise, and guidance from the DARD Board. It is deemed adequate to have two NEBM's to support the Executive members on the Agency Management Board. One of the NEBM's is a member of the DARD Senior Civil Service Group (SCSG) and is thereby linked to DARD Top Management Group (TMG) and Departmental Board in the same way as the Agency Chief Executive.
- A Corporate Services Director is responsible for finance, human resources, communications, and governance and accountability processes generally. This member supervises a professionally qualified accountant and draws on that post holder in bringing accountancy expertise to the Board. Further, I am professionally qualified in this field.

As such, I am satisfied that the Board provides collective strategic and operational leadership appropriate to Agency level.



**MALCOLM BEATTY**  
**Chief Executive**  
**22 June 2015**

## **THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY**

I certify that I have audited the financial statements of the Forest Service Agency for the year ended 31 March 2015 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Agency's and Chief Executive's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Forest Service Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Forest Service Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report, to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Forest Service Agency's affairs as at 31 March 2015 and of the net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

## Report

I have no observations to make on these financial statements.



*KJ Donnelly*  
*Comptroller and Auditor General*  
*Northern Ireland Audit Office*  
*106 University Street*  
*Belfast*  
*BT7 1EU*

*29 June 2015*

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2015

			2014-15 £000	2013-14 £000
	<b>Note</b>	<b>Staff Costs</b>	<b>Other Costs</b>	<b>Income</b>
<b>Programme Income</b>				
EU Income	2			(666)
Operating Income	2			(9,403)
<b>Programme Costs</b>				
Staff Costs	4.1	8,288		6,986
Grants	5		1,410	1,629
Rental Costs	5		33	21
Other Expenditure	5		5,464	4,497
Non-Cash Items	5		3,429	2,511
Revaluation	5		(15,568)	12,994
<b>Totals</b>		<b>8,288</b>	<b>(5,232)</b>	<b>(10,069)</b>
<b>Net Operating Deficit / (Surplus)</b>				<b>(7,013)</b>
				<b>18,252</b>

All income and expenditure is derived from continuing operations.

## OTHER COMPREHENSIVE EXPENDITURE

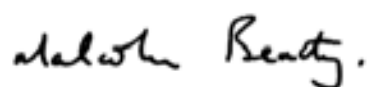
	Note	2014-15 £000	2013-14 £000
Net (gain) / loss on revaluation of Property, Plant & Equipment	8.1	(11,422)	(2,779)
Net (gain) / loss on revaluation of Intangibles	9.1	(67)	-
<b>Total Comprehensive Net Expenditure / (Surplus) for the year ended 31 March 2015</b>		<b>(18,502)</b>	<b>15,473</b>

The notes on pages 45 to 66 form part of these accounts.



**STATEMENT OF FINANCIAL POSITION**  
as at 31 March 2015

	Note	2015 £000	2014 £000
<b>Non-current assets</b>			
Heritage assets	7	1,167	1,167
Property, plant and equipment	8	162,550	149,639
Intangible assets	9	520	483
Biological assets	11	147,587	132,175
<b>Total non-current assets</b>		<b>311,824</b>	<b>283,464</b>
<b>Current assets</b>			
Assets classified as held for sale	12	1,175	1,217
Inventories	15	98	138
Trade and other receivables	16	1,719	2,223
Cash and cash equivalents	17	3	3
<b>Total current assets</b>		<b>2,995</b>	<b>3,581</b>
<b>Total assets</b>		<b>314,819</b>	<b>287,045</b>
<b>Current liabilities</b>			
Trade and other payables	18	(3,182)	(1,561)
Provisions	19	(603)	(78)
<b>Total current liabilities</b>		<b>(3,785)</b>	<b>(1,639)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>311,034</b>	<b>285,406</b>
<b>Non-current liabilities</b>			
Provisions	19	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total assets less liabilities</b>		<b>311,034</b>	<b>285,406</b>
<b>Taxpayers' equity</b>			
General fund		211,472	197,080
Revaluation reserve		99,562	88,326
<b>Total taxpayers' equity</b>		<b>311,034</b>	<b>285,406</b>



**MALCOLM BEATTY**  
Chief Executive  
22 June 2015

The notes on pages 45 to 66 form part of these accounts.

**STATEMENT OF CASH FLOWS**  
for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
<b>Cash flows from operating activities</b>			
Net operating cost		7,013	(18,252)
Adjustments for non-cash transactions	5	(12,139)	15,505
(Increase) / Decrease in trade and other receivables	16	504	(848)
(Increase) / Decrease in Inventories	15	40	26
Increase / (Decrease) in trade and other payables	18	1,621	131
Use of provisions	19	(10)	(18)
Bad debts written off	5	(3)	-
Bad debt provisions (provided for) / released in year	5	6	-
<b>Net cash outflow from operating activities</b>		<b>(2,968)</b>	<b>(3,456)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(2,264)	(2,193)
Purchase of intangible assets	9	-	(13)
Proceeds of disposal of property, plant and equipment	5,8	70	27
<b>Net cash outflow from investing activities</b>		<b>(2,194)</b>	<b>(2,179)</b>
<b>Cash flows from financing activities</b>			
Funding from parent department		5,162	5,635
<b>Net financing</b>		<b>5,162</b>	<b>5,635</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>			
		-	-
<b>Cash and cash equivalents at the beginning of the period</b>	17	<b>3</b>	<b>3</b>
<b>Cash and cash equivalents at the end of the period</b>	17	<b>3</b>	<b>3</b>

The notes on pages 45 to 66 form part of these accounts.

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
for the year ended 31 March 2015

Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Taxpayers' equity at 31 March 2013	207,708	85,938	293,646
Changes in Accounting Policy	-	-	-
<b>Balance at 1 April 2013</b>	<b>207,708</b>	<b>85,938</b>	<b>293,646</b>
Net Assembly Funding - drawn down from DARD	5,635	-	5,635
CFERS payable to the Consolidated Fund	-	-	-
Comprehensive Expenditure for the Year - Net surplus / (deficit)	(18,252)	-	(18,252)
<b>Non-Cash Adjustments</b>	8.2, 9.2	2,779	2,779
Non-cash charges - other notional costs	6	1,584	1,584
Non-cash charges - auditor's remuneration	6	14	14
Transfers between reserves	391	(391)	-
<b>Balance at 31 March 2014</b>	<b>197,080</b>	<b>88,326</b>	<b>285,406</b>
Net Assembly Funding - drawn down from DARD	5,162	-	5,162
CFERS payable to the Consolidated Fund	-	-	-
Comprehensive Expenditure for the Year - Net surplus / (deficit)	7,013	-	7,013
<b>Non-Cash Adjustments</b>	8.1, 9.1	11,489	11,489
Non-cash charges - other notional costs	6	1,919	1,919
Non-cash charges - auditor's remuneration	6	14	14
Transfers between reserves	253	(253)	-
Transfers of assets at no consideration	31	-	31
<b>Balance at 31 March 2015</b>	<b>211,472</b>	<b>99,562</b>	<b>311,034</b>

The notes on pages 45 to 66 form part of these accounts.

## NOTES TO THE AGENCY'S ACCOUNTS

### 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS's) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Forest Service for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Forest Service are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1-1 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of investment property, property, plant and equipment, intangible assets, and certain financial assets and liabilities.

#### 1-2 Property, plant and equipment

##### *Capitalisation*

Expenditure on property, plant and equipment of over £5,000 is capitalised. Within DARD, the grouping of computer equipment in respect of items falling below this threshold has also been undertaken.

On initial recognition property, plant and equipment and intangible assets are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition. Items classified as "under construction" are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred.

Subsequent expenditure on an asset that meets the criteria in compliance with IAS 16 is capitalised; otherwise it is written off to revenue.

##### *Valuation*

Buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Professional revaluations of buildings are undertaken every five years, with the valuations used in these accounts provided by Land and Property Services (LPS) as at 1 April 2014. Buildings are revalued annually, between professional valuations, using indices provided by LPS. From 1 April 2012 the Agency's buildings have been revalued using the Building Cost Information Service (BCIS) index provided by LPS. In prior years the index used to revalue buildings was the One-Percent Price Index (OPI) as provided by the Office for National Statistics (ONS).

Properties surplus to requirements are valued on the basis of open market value less any material, directly attributable, selling costs.

Land now forms part of the Combined Asset Valuation (CAV) of forestry land and timber thereon and is valued annually by LPS. The fair value for the land is calculated by deducting the fair value of the timber from the CAV. All valuations have been carried out



by LPS in accordance with the current edition of the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV).

The value of trees grown for commercial purposes is included in non-current assets at a fair value basis less estimated selling costs. The fair value is determined by applying the present value of expected net cash flows from the asset (future revenues based on the sale of mature timber), discounted at a current market determined pre-tax rate to calculate the fair value of the timber asset at any point in time. Revaluations are directly charged to the Statement of Comprehensive Net Expenditure.

For property occupied, but not owned or leased by the Agency a notional charge for accommodation costs is included in the Statement of Comprehensive Net Expenditure.

Assets under construction are carried at cost.

Plant, Machinery and IT assets are capitalised at their cost of acquisition and installation and are restated to current value annually with reference to indices compiled by the Office for National Statistics.

### **Depreciation**

Depreciation is charged on a straight line basis, to write off the cost or valuation, less estimated residual value, where relevant, of each asset over its estimated useful life. The useful lives, which are reviewed regularly, are:

Computer Equipment and Software	3 to 7 years
Plant and Machinery	4 to 15 years
Roads	10 years
Buildings	50 years

Land at Baronscourt is being handed back to its owner in stages up to the year 2024, therefore depreciation is charged over the period. There is no depreciation charge on the Agency's own land.

Heritage Assets will be maintained in perpetuity and consequently have not been depreciated.

Assets under construction are not depreciated until they are commissioned.

## **1-3 Intangible Assets**

Intangible assets are valued initially at cost and subsequently at fair value using the revaluation model.

### **Land Rights**

Land rights (shooting and turbarry rights) are valued every 5 years by a professional valuer. The valuation of land rights used in these accounts were provided by the Land and Property Services (LPS) as at 1 April 2014 in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). There is no in-year amortisation charge as the life span is land-based and therefore assumed to be infinite.

### **Software Licences**

Purchased computer software licenses are capitalised as intangible assets where expenditure of £5,000 or more is incurred. In addition, similar licenses falling below this threshold, which when grouped exceed the threshold, are also capitalised. The value of the capitalised licenses is restated at fair value at the Statement of Financial Position date in accordance with the movement in the Retail Price Index (RPI). Software licenses are amortised over their expected useful life, which can be from 1 to 7 years, depending on the license.

### **Externally Developed Software**

Externally Developed Software is the Forest Service Geographic Information System (FSGIS) which is used in the management and monitoring of Forest Service forests and grant-aided private woodlands. This externally developed software is amortised over the expected useful life of 3 years.

## **1-4 Biological Assets**

Biological assets include all forested areas where there is potential to recover timber, regardless of whether timber production is a primary objective, excluding natural reserves. The extent of forest area is maintained on an electronic database.

The age and expected volume at harvest is derived from measurements of sample plots taken in 2007 and subsequently from 2012 onwards and applied to a series of timber yield models. The age of Maximum Mean Annual Increment (MMAI) is an industry convention used as the most appropriate method of assessing when a plantation is mature. The actual date of harvest may differ for a variety of reasons, aimed at evening out the rate of timber supply and ensuring the continuing supply of forest services other than timber.

In the absence of an active market for the sale of immature plantations in Northern Ireland, the volume of trees is included in non-cultivated assets on a fair value basis less estimated selling costs.

The fair value is determined by applying the present value of expected future net cash flows from the asset discounted at a market determined pre-tax rate to calculate the current fair value of the timber estate in its present form. Future revenues are based on active market information for the sale of mature timber. Costs to sell are those associated with measurement for timber sales, supervision of harvesting operations, infra-structure to facilitate harvesting access and costs to market the timber. Forest Service has determined that the appropriate interest rate is 5%.

All income and costs are annualised over the previous five years using the Gross Domestic Product (GDP) Inflation Series published by the Office of National Statistics to exclude the influence of short term fluctuations in trading prices.

Revaluations are charged directly to the Statement of Comprehensive Net Expenditure, with timber held for sale disclosed as a current asset.

## **1-5 Heritage Assets**

Forest Service received 75% funding from the European Commission (EC) to construct a Peace Maze in Castlewellan Forest Park. This has been included in the Statement of Financial Position as a Heritage Asset.

Forest Service replaced the walkway in Glenariff Forest Park reflecting its historical value in providing access to and recreational use of the forest. This is included in the Statement of Financial Position as a Heritage Asset.

Heritage assets are valued at historical cost. Heritage assets are maintained in perpetuity, and consequently are not depreciated. Both heritage assets are operational.

## **1-6 Non-Current Assets reclassified as Current Assets held for Sale**

The Agency classifies a non-current asset as held for sale where its value is expected to be realised principally through a sale transaction rather than through continuing use. In order to meet this definition, IFRS 5 requires that the asset must be immediately available for sale in its current condition and that its sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset through appropriate marketing at a reasonable price and the sale is considered likely to be concluded within one year. Non-current assets that are held for sale are valued on the basis of open market value less any material directly attributable selling costs and are reclassified as current assets held for sale. Current assets held for sale are regularly reviewed to ascertain whether they continue to meet the above criteria. Where a current asset held for sale no longer meets the criteria, the asset is reclassified as a non-current asset.

## **1-7 Inventories**

Consumable materials and supplies are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs to be incurred to completion and disposal.

## **1-8 Contingent Liabilities**

In addition to contingent liabilities disclosed in accordance with IAS 37, the Agency discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under IAS 37, are stated at discounted amounts and the amount reported to the Assembly separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly (see note 23 to the accounts).

## **1-9 Provisions**

The Agency provides for present legal and constructive obligations, which are of an uncertain timing, or amount at the Statement of Financial Position 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 cash flows are discounted using the real rate set by HM Treasury.

Legal claims and other provisions are provided for at the full assessed amount in each case.

DARD is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. DARD provides

in full for the cost of meeting these payments in respect of early retirement programmes at the time that a liability is created. These costs are included as a notional cost in the Agency accounts. There were 2 early retirements in 2014-15.

## **1-10 Revenue recognition**

Income comprises the fair value of the consideration received from forestry and other related activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Forest Service recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to it.

## **1-11 Grants payable and EU funding**

Grants payable to individuals and bodies are accounted for as they are approved for payment. No provision is made in the financial statements for grant offers made but not yet approved for payment.

Forestry Grant Schemes for the creation of new woodland, the restocking of previously felled areas and the management of existing mature and semi-mature woodlands are co-funded by the European Agricultural Fund (EAF). Once grants become recognised, contributions from the EU are claimed.

If grants are subsequently recovered because of the failure to fulfill the condition of the relevant woodland grant scheme, the amount of co-financing may be repayable to the EU.

## **1-12 Administration and Programme Income and Expenditure**

The Statement of Comprehensive Net Expenditure shows only programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting Guidance issued by HM Treasury and adopted by the Department of Finance and Personnel (DFP) for Northern Ireland.

All of the Agency's income and expenditure relates directly to service delivery and as such is designated as programme.

## **1-13 Employee Benefits including Pension Costs**

### ***Pensions***

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS)[NI] which are described in Note 4. The defined benefit schemes are unfunded. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS(NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS(NI). In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year (see note 4.1).

### ***Short-term employee benefits***

Under the requirements of IAS 19 Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of



any untaken leave that has been earned at the year end. This cost has been derived by using a specific report run from HR Connect which calculates the year end balance using actual leave balances on the system.

#### **1-14 Functional Currency / Foreign Exchange / Roundings**

The functional currency is Sterling and, except where otherwise stated, figures have been rounded to the nearest thousand pounds.

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. Balances at the year end are restated using the exchange rate on 31 March and any exchange gain or loss is treated as income or expenditure.

#### **1-15 Value Added Tax**

The Forest Service is registered for VAT. In order to comply with government accounting regulations and normal commercial practice, income and expenditure shown in the Statement of Comprehensive Net Expenditure is net of VAT.

Any VAT due to or from HM Revenue and Customs at the year end is included in the accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure in the year in which it is occurred.

#### **1-16 Taxation**

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

#### **1-17 Financial Instruments**

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is de-recognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for de-recognition. A financial liability is de-recognised when, and only when, it is extinguished.

The Agency has financial instruments in the form of trade receivables and payables and cash and cash equivalents.

In accordance with "IAS 39 Financial Instruments: Recognition and Measurement" trade receivables, cash and other receivables are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment.

The Agency assesses at each Statement of Financial Position date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. Based on historic experience receivables that are past due beyond 365 days are generally not recoverable.

The Agency measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

Impairment losses are recognised in the Statement of Comprehensive Net Expenditure and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

When a financial asset is deemed unrecoverable the amount of the asset is reduced directly and the impairment loss is recognised in the Statement of Comprehensive Net Expenditure to the extent that a provision was not previously recognised.

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

## **1-18 Related Party Transactions**

The Forest Service is an executive agency of the Department of Agriculture and Rural Development (DARD). DARD is regarded as a related party. During the year, Forest Service has had various material transactions with DARD and with other entities for which DARD is regarded as the parent Department, including Rivers Agency.

In addition, Forest Service has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with Northern Ireland departments, their executive agencies and arms length bodies.

In terms of related party interests of the Agency's officials, in the interests of transparency the Agency considers it necessary that its top managerial officials and members of the Forest Service Board declare all of the following:

- Any interests in Forest Service other than through the normal relationship of employee/employer, e.g. receipt of grants for woodland expansion;
- Any interest in any body with which Forest Service has dealings including membership of Boards of those bodies even when such membership is part of the officer's job; and
- Any such interest held by a close family member.

## **1-19 Segmental Reporting**

Under IFRS 8, the Agency has one operating segment whose results are regularly reviewed by the Accounting Officer to make decisions about resources to be allocated to the segment and assess its performance. The operating aim of the Agency is to promote forestry and enhance plant health for a thriving and sustainable rural economy, community and environment to promote social and economic equality.

## 1-20 Critical accounting estimates and key adjustments

As a result of the uncertainties inherent in all business activities, many items in financial statements cannot be measured with precision but can only be estimated. Where estimates have been required in order to prepare these financial statements in conformity with FReM, management have used judgements based on the latest available, reliable information. Management continually review estimates to take account of any changes in the circumstances on which the estimate was based or as a result of new information or more experience.

## 1-21 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2015

The Agency has reviewed the standards, interpretations and amendments to published standards that became effective during 2014-15 and which are relevant to its operations. The Agency anticipates that the adoption of these standards will have no material impact on the Forest Service's financial position or results of operations.

The International Accounting Standards Board (IASB) have issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective with EU adoption from 1 January 2014.

Accounting boundary IFRS' are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by HM Treasury. A review of the NI financial process, which will bring NI departments under the same adaption, has been presented to the Executive, but a decision has yet to be made. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12.

## 1-22 Impending application of newly issued accounting standards not yet effective

The Agency has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that any standards or interpretations that have been issued by the IASB but have not been adopted will have a material impact on the Agency's financial statements.

## 2 INCOME

	2014-15 £000	2013-14 £000
<b>Grant income:</b>		
EU Income	666	802
<b>Operating Income:</b>		
Timber Sales	8,124	8,194
Other Forest Products	46	63
Recreation	833	879
Rentals	310	313
Other Activities	90	135
	<b>9,403</b>	<b>9,584</b>
	<b>10,069</b>	<b>10,386</b>

### 3 BUSINESS ACTIVITIES ATTRACTING FEES AND CHARGES

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

Commercial Recreation encompasses camping and caravanning, as well as game shooting.

Non-Commercial Recreation refers to visits to all of our forests. Entrance charges are only levied for 8 Forest Parks.

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

	2014-15			2013-14		
	Income	Cost	Surplus/ (Deficit)	Income	Cost	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
Commercial Recreation	432	425	7	433	419	14
Non-Commercial Recreation	401	1,399	(998)	342	1,419	(1,077)
<b>Total</b>	<b>833</b>	<b>1,824</b>	<b>(991)</b>	<b>775</b>	<b>1,838</b>	<b>(1,063)</b>

### 4 STAFF NUMBERS AND RELATED COSTS

#### 4.1 Staff Costs comprise:

	2014-15			2013-14
	£000			£000
	Permanently employed staff	Others	Total	Total
Wages and Salaries	6,406	270	6,676	5,611
Social Security Costs	451	22	473	409
Other Pension Costs	1,107	32	1,139	966
<b>Total net costs</b>	<b>7,964</b>	<b>324</b>	<b>8,288</b>	<b>6,986</b>

The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but Forest Service is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DFP Superannuation and Other Allowances Resource Accounts as at 31 March 2015.



For 2014-15, employers' contributions of £1,120,540 were payable to the NICS pension arrangements (2013-14: £963,072) at one of four rates in the range 18% to 25% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2015-16, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £nil (2013-14: £nil) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2013-14: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil, 0.8% (2013-14: £nil, 0.8%) of pensionable pay, were payable to the PCSPS(NI) 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 reporting period date were £nil. Contributions prepaid at that date were £nil.

2 members of staff (2013-14: 1 individual) retired early on ill-health grounds; the total additional accrued liabilities in the year amounted to £685 (2013-14: £2,887).

## 4.2 Average Number of Persons Employed

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

			<b>2014-15 Number</b>	<b>2013-14 Number</b>
	<b>Permanently employed staff</b>	<b>Others</b>	<b>Total</b>	<b>Total</b>
Industrial	108.27	2.50	110.77	114.50
Non Industrial	116.69	4.67	121.36	88.29
<b>Total</b>	<b>224.96</b>	<b>7.17</b>	<b>232.13</b>	<b>202.79</b>

The increase during the year is due to the transfer of Plant Health staff from DARD.

## 5 PROGRAMME COSTS

	Note	2014-15 £000	2013-14 £000
<b>Grant Payments</b>			
Paid to applicants	National element	744	818
	EU element	666	811
		<b>1,410</b>	<b>1,629</b>
Rentals under operating leases		<b>33</b>	<b>21</b>
<b>Other Expenditure</b>			
Staff related costs		401	281
Accommodation costs		512	344
Office services		114	145
Contracted out services		1,543	1,596
Professional costs		434	90
Consultancy costs		122	(50)
Other costs		2,336	2,091
Non-capital purchases		2	-
		<b>5,464</b>	<b>4,497</b>
<b>Non-cash items</b>			
Depreciation	8	1,000	801
Amortisation	9	30	43
Loss / (Profit) on disposal of non-current assets		(66)	59
Liability provisions provided for in year	19	535	8
Bad debts written off		3	2
Bad debts provided for / (released in year)		(6)	-
Notional charges	6	1,933	1,598
		<b>3,429</b>	<b>2,511</b>
<b>Other non-cash items</b>			
Revaluation - Timber	11	(15,373)	13,346
Revaluation - Other assets	8	(195)	(352)
		<b>(15,568)</b>	<b>12,994</b>
<b>Total Programme Costs</b>		<b>(5,232)</b>	<b>21,652</b>

### Grant Payments

The total of grant payments for 2014-15 included £7,476 paid to public bodies (2013-14: £Nil). Payments to private sector recipients for 2014-15 totalled £1,402,524 (2013-14: £1,629,000).

### Growing Timber Revaluation

Included within Programme Costs is the movement in the fair value of the biological growing timber asset, which is explained in more detail at Note 11.

## 6 NOTIONAL COSTS

	2014-15 £000	2013-14 £000
<b>Services provided by parent department</b>		
Central Support	1,045	649
Compensation Claims	-	145
	<b>1,045</b>	<b>794</b>
<b>Services Provided by other Departments</b>		
DFP Accommodation charges	177	174
Business Development Service	7	6
Departmental Solicitors' Office	24	17
Account NI	234	210
IT Assist	432	383
Auditor's remuneration and expenses	14	14
	<b>888</b>	<b>804</b>
<b>Total Notional Costs</b>	<b>1,933</b>	<b>1,598</b>

### Notional Costs

Notional Costs relate to services received for which no actual payment is made. They are included in the accounts so as to reflect the full economic cost of provision. The figures for 2014-15 reflect the transfer of Plant Health staff and functions from DARD to Forest Service.

## 7.0 HERITAGE ASSETS

### 7.1 2014-15

	Heritage Assets £000
<b>Cost or Valuation</b>	
At 1 April 2014	1,167
Additions	-
Disposals	-
Reclassifications	-
Revaluations	-
Impairments	-
Indexation	-
<b>At 31 March 2015</b>	<b>1,167</b>
<b>Carrying amount at 31 March 2015</b>	<b>1,167</b>
<b>Carrying amount at 31 March 2014</b>	<b>1,167</b>

The Agency's heritage assets comprise the Peace Maze at Castlewellan Forest Park and Glenariff Walkway. They are valued at historical cost and are maintained in perpetuity, and consequently are not depreciated.

## 7.2 2013-14

	Heritage Assets £000
<b>Cost or Valuation</b>	
At 1 April 2013	1,167
Additions	-
Disposals	-
Reclassifications	-
Revaluations	-
Impairments	-
Indexation	-
<b>At 31 March 2014</b>	<b>1,167</b>
<b>Carrying amount at 31 March 2014</b>	<b>1,167</b>
<b>Carrying amount at 31 March 2013</b>	<b>1,167</b>

## 8 PROPERTY, PLANT AND EQUIPMENT

### 8.1 2014-15

	Land £000	Buildings £000	Plant and Machinery £000	Information Technology £000	Assets under Construction £000	Total £000
<b>Cost or Valuation</b>						
At 1 April 2014	141,609	5,835	6,055	341	1,965	155,805
Additions	-	-	664	-	1,600	2,264
Disposals	(1)	-	(362)	(6)	-	(369)
Reclassifications	-	254	22	-	(273)	3
Revaluations	10,543	50	70	-	-	10,663
Impairments	-	-	-	-	-	-
Transfers	-	21	(18)	14	-	17
Net revaluations charged to SOCNE	256	(100)	(1)	-	-	155
<b>At 31 March 2015</b>	<b>152,407</b>	<b>6,060</b>	<b>6,430</b>	<b>349</b>	<b>3,292</b>	<b>168,538</b>
<b>Depreciation</b>						
At 1 April 2014	514	886	4,553	213	-	6,166
Charge in year	103	510	311	76	-	1,000
Disposals	-	-	(360)	(5)	-	(365)
Reclassifications	-	(22)	22	-	-	-
Revaluations	(103)	(686)	30	-	-	(759)
Impairments	-	-	-	-	-	-
Transfers	-	1	(18)	3	-	(14)
Net revaluations charged to SOCNE	-	(40)	-	-	-	(40)
<b>At 31 March 2015</b>	<b>514</b>	<b>649</b>	<b>4,538</b>	<b>287</b>	<b>-</b>	<b>5,988</b>
<b>Carrying amount at 31 March 2015</b>	<b>151,893</b>	<b>5,411</b>	<b>1,892</b>	<b>62</b>	<b>3,292</b>	<b>162,550</b>
<b>Carrying amount at 31 March 2014</b>	<b>141,095</b>	<b>4,949</b>	<b>1,502</b>	<b>128</b>	<b>1,965</b>	<b>149,639</b>
<b>Asset financing:</b>						
Owned	151,893	5,411	1,892	62	3,292	162,550
Finance leased	-	-	-	-	-	-
<b>Carrying amount at 31 March 2015</b>	<b>151,893</b>	<b>5,411</b>	<b>1,892</b>	<b>62</b>	<b>3,292</b>	<b>162,550</b>



- 1) Forest Service land now forms part of the Combined Asset Valuation of forestry land and timber thereon (CAV) and is valued annually by LPS. The fair value for the land is calculated by deducting the fair value of the timber (as calculated per note 1.4) from the CAV.  
All valuations have been carried out by LPS in accordance with the current edition of the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV).
- 2) Forest Service buildings were valued as at 1 April 2014 on an existing use basis by an independent surveyor, Land and Property Services, a division of Department of Finance and Personnel. Properties surplus to requirements are valued on the basis of open market value less any material, directly attributable, selling costs.
- 3) Plant, Machinery and IT assets are capitalised at their cost of acquisition and installation and are restated to current value annually with reference to indices compiled by the Office for National Statistics.
- 4) Assets under construction consist of ongoing infra-structure projects across the forest service estate. The majority of the infra-structure projects are part of the wider Forest Fund project. The Forest Fund was established in order to examine opportunities in 2013-14 and 2014-15 for Forest Service to facilitate the development of existing and potential recreation and tourism products on the public forest estate through the allocation of £4m funding through the Northern Ireland Executive's Economy and Jobs initiative.

## 8.2 2013-14

	Land £000	Buildings £000	Plant and Machinery £000	Information Technology £000	Assets under Construction £000	Total £000
<b>Cost or Valuation</b>						
At 1 April 2013	138,790	5,768	5,681	343	171	150,753
Additions	-	-	399	-	1,794	2,193
Disposals	(19)	(59)	(227)	-	-	(305)
Reclassifications	-	-	-	-	-	-
Revaluations	2,438	190	206	(2)	-	2,832
Impairments	-	-	-	-	-	-
Transfers	-	-	(18)	-	-	(18)
Net revaluations charged to SOCNE	400	(64)	14	-	-	350
<b>At 31 March 2014</b>	<b>141,609</b>	<b>5,835</b>	<b>6,055</b>	<b>341</b>	<b>1,965</b>	<b>155,805</b>
<b>Depreciation</b>						
At 1 April 2013	514	704	4,210	122	-	5,550
Charge in year	83	210	417	91	-	801
Disposals	-	(8)	(211)	-	-	(219)
Reclassifications	-	-	-	-	-	-
Revaluations	(83)	(4)	140	-	-	53
Impairments	-	-	-	-	-	-
Transfers	-	-	(17)	-	-	(17)
Net revaluations charged to SOCNE	-	(16)	14	-	-	(2)
<b>At 31 March 2014</b>	<b>514</b>	<b>886</b>	<b>4,553</b>	<b>213</b>	<b>-</b>	<b>6,166</b>
<b>Carrying amount at 31 March 2014</b>	<b>141,095</b>	<b>4,949</b>	<b>1,502</b>	<b>128</b>	<b>1,965</b>	<b>149,639</b>
<b>Carrying amount at 31 March 2013</b>	<b>138,276</b>	<b>5,064</b>	<b>1,471</b>	<b>221</b>	<b>171</b>	<b>145,203</b>
<b>Asset financing:</b>						
Owned	141,095	4,949	1,502	128	1,965	149,639
Finance leased	-	-	-	-	-	-
<b>Carrying amount at 31 March 2014</b>	<b>141,095</b>	<b>4,949</b>	<b>1,502</b>	<b>128</b>	<b>1,965</b>	<b>149,639</b>

## 9 INTANGIBLE ASSETS

### 9.1 2014-15

	Land Rights £000	Software Licenses £000	Externally Developed Software £000	Total £000
<b>Cost or Valuation</b>				
At 1 April 2014	450	81	84	615
Additions	-	-	-	-
Disposals	-	-	-	-
Reclassifications	-	11	(11)	-
Revaluations	66	1	-	67
Impairments	-	-	-	-
Net revaluations charged to SOCNE	-	-	-	-
<b>At 31 March 2015</b>	<b>516</b>	<b>93</b>	<b>73</b>	<b>682</b>
<b>Amortisation</b>				
At 1 April 2014	-	69	63	132
Charge in year	-	13	17	30
Disposals	-	-	-	-
Reclassifications	-	7	(7)	-
Revaluations	-	-	-	-
Impairments	-	-	-	-
Net revaluations charged to SOCNE	-	-	-	-
<b>At 31 March 2015</b>	<b>-</b>	<b>89</b>	<b>73</b>	<b>162</b>
<b>Carrying amount at 31 March 2015</b>	<b>516</b>	<b>4</b>	<b>-</b>	<b>520</b>
<b>Carrying amount at 31 March 2014</b>	<b>450</b>	<b>12</b>	<b>21</b>	<b>483</b>

Land Rights held by the Forest Service relate to shooting, turbarry rights and wayleaves. They are valued at 5-yearly intervals by the Land and Property Services (LPS), the latest being at 1 April 2014.

### 9.2 2013-14

	Land Rights £000	Software Licenses £000	Externally Developed Software £000	Total £000
<b>Cost or Valuation</b>				
At 1 April 2013	450	78	71	599
Additions	-	2	11	13
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
Impairments	-	1	-	1
Net revaluations charged to SOCNE	-	-	2	2
<b>At 31 March 2014</b>	<b>450</b>	<b>81</b>	<b>84</b>	<b>615</b>
<b>Amortisation</b>				
At 1 April 2013	-	50	36	86
Charge in year	-	18	25	43
Disposals	-	-	-	-
Reclassifications	-	1	-	1
Revaluations	-	-	-	-
Impairments	-	-	-	-
Net revaluations charged to SOCNE	-	-	2	2
<b>At 31 March 2014</b>	<b>-</b>	<b>69</b>	<b>63</b>	<b>132</b>
<b>Carrying amount at 31 March 2014</b>	<b>450</b>	<b>12</b>	<b>21</b>	<b>483</b>
<b>Carrying amount at 31 March 2013</b>	<b>450</b>	<b>28</b>	<b>35</b>	<b>513</b>

## 10 DONATED ASSETS

Any assets donated to the Agency have a value below £5,000 and as this is below the threshold they are not capitalised.

## 11 BIOLOGICAL ASSETS

	Note	2014-15 £000	2013-14 £000
Value at 1 April		132,175	145,926
<b>Revaluation adjustment</b>			
Transfer to assets held for sale	12	(1,175)	(1,214)
Timber removals		(8,288)	(8,346)
Timber lost to fire		-	(3)
Timber lost to disease		(46)	(12)
Price / Growth increment		24,921	(4,176)
<b>Carrying amount at 31 March</b>		<b>147,587</b>	<b>132,175</b>
<b>Revaluation adjustment:</b>			
Credited / (charged) to Statement of Comprehensive Net Expenditure	5	15,373	(13,346)
In year movement in assets held for sale	12	39	(405)
<b>Movement in timber valuation</b>		<b>15,412</b>	<b>(13,751)</b>

Growing timber is valued as per note 1.4. Timber lost to fire and disease is also valued on the same basis.

Timber identified as having been allocated under contract and removed from the estate database being available for sale in 2015-16 is valued at the expected sales price. Timber removals in year are valued at the sales price achieved.

### Movement in timber valuation

The timber valuation model uses Yield Class as a standard measure of growth productivity to determine at what age a sub-compartment of forest for valuation is mature. The growth productivity of forest areas is derived from measurements of sample plots taken in 2007 and subsequently from 2012 onwards and applied to a series of timber yield models. The age of Maximum Mean Annual Increment (MMAI) is used as the most appropriate method of assessing when a crop is mature.

Actual harvested timber recoveries and annualised market values are used to determine a net value per hectare. An 8.8% increase in the income per harvested hectare combined with a 2.4% decrease in costs to sell accounted for the revaluation movement.

The increase in the value of sales at maturity rose to £7,788ha (2013-14: £7,158ha), coupled with a decrease in the costs to sell of £1,024ha (2013-14: £1,049ha) accounted for the £15.4m revaluation movement.

The revaluation movement, except for the movement in the asset held for sale value, is taken directly to the Statement of Comprehensive Net Expenditure.

## 12 CURRENT ASSETS - ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2014-15 £000	2013-14 £000
<b>Land</b>		-	3
<b>Timber</b>			
Opening balance		1,214	809
Additions		1,175	1,214
Disposals		(1,214)	(809)
Revaluation		-	-
Closing Balance	11	1,175	1,214
<b>Carrying amount at 31 March</b>		<b>1,175</b>	<b>1,217</b>

There are no assets surplus to requirements as at 31 March 2015.

Assets held for sale include timber allocated for sale under contract which has been removed from the forest estate database and not therefore valued as part of the non-current timber asset per note 11. This timber held for sale at year end will be sold in the following financial year and therefore is disclosed as a current asset held for sale valued at the expected sales price.

## 13 REVALUATIONS

	Note	2014-15 £000	2013-14 £000
Property, plant & equipment	5, 8	(195)	(352)
Growing Timber Revaluation	5, 11	(15,373)	13,346
<b>Total Revaluation (credit) / charge in year</b>	<b>5</b>	<b>(15,568)</b>	<b>12,994</b>

## 14 FINANCIAL INSTRUMENTS

As the cash requirements of Forest Service are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

## 15 INVENTORIES

	Note	2014-15 £000	2013-14 £000
Stock		77	107
Fuel		21	31
<b>Balance at 31 March</b>		<b>98</b>	<b>138</b>



## 16 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2014-15 £000	2013-14 £000
<b>Amounts falling due within one year</b>		
Trade receivables	1,526	1,779
Other receivables	11	-
Prepayments and accrued income	51	44
EU funding receivable	-	31
VAT	131	369
<b>Balance at 31 March</b>	<b>1,719</b>	<b>2,223</b>

### 16.1 INTRA-GOVERNMENT BALANCES

Balances with other central government bodies	131	-
Balances with local authorities	-	-
<b>Subtotal: intra-government balances</b>	<b>131</b>	<b>-</b>
Balances with bodies external to government	1,588	2,223
<b>Total receivables at 31 March</b>	<b>1,719</b>	<b>2,223</b>

## 17 CASH AND CASH EQUIVALENTS

Balance at 1 April	3	3
Net change in cash and cash equivalent balances	-	-
<b>Balance at 31 March</b>	<b>3</b>	<b>3</b>
The following balances as at 31 March were held at:		
Commercial banks and cash in hand	3	3
<b>Balance at 31 March</b>	<b>3</b>	<b>3</b>

## 18 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

<b>Amounts falling due within one year</b>		
Trade payables	43	(5)
Other payables	140	94
Accruals and deferred income	2,999	1,472
<b>Balance at 31 March</b>	<b>3,182</b>	<b>1,561</b>

### 18.1 INTRA-GOVERNMENT BALANCES

Balances with other central government bodies	185	153
Balances with local authorities	-	-
<b>Subtotal: intra-government balances</b>	<b>185</b>	<b>153</b>
Balances with bodies external to government	2,997	1,408
<b>Total payables at 31 March</b>	<b>3,182</b>	<b>1,561</b>

## 19 PROVISIONS FOR LIABILITIES AND CHARGES

2014-15	Legal Claims £000	Total £000
Balance at 1 April 2014	78	78
Provided in the year	562	562
Provisions utilised in the year	(10)	(10)
Provisions not required written back	(27)	(27)
<b>Balance at 31 March 2015</b>	<b>603</b>	<b>603</b>
<b><i>Analysis of expected timing of discounted cash flows</i></b>		
Not later than one year	603	603
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Balance at 31 March 2015</b>	<b>603</b>	<b>603</b>
<b><i>Analysis of expected timing of discounted cash flows</i></b>		
Not later than one year	78	78
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Balance at 31 March 2014</b>	<b>78</b>	<b>78</b>

### Legal Claims

Provision has been made for various legal claims against the Agency. The provision reflects all known claims where legal advice indicates that the claim will be successful and the amount of the claim can be reliably estimated. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. It is assumed that all legal claims will be settled within 12 months.

Legal claims where the legal advice is that the claims are either not probable, or the liability cannot be estimated reliably, are disclosed as contingent liabilities in Note 23.

## 20 GRANT COMMITMENTS

The agency has entered into non-cancellable contracts (which are not leases or PFI (and other service concession arrangement) contracts) for grants for the management of existing woodlands which are payable annually in arrears, so long as specific objectives and criteria are met. The payments to which the agency is committed, based upon a co-finance rate of 40% National and 60% EU, (2013-14: 45% National and 55% EU) are as follows:

	2014-15 £000	2013-14 £000
<b>EU Grant Schemes</b>		
Not later than one year	674	513
Later than one year and not later than five years	1,964	1,869
Later than five years	1,519	1,579
	<b>4,157</b>	<b>3,961</b>
<b>National Grant Schemes</b>		
Not later than one year	449	419
Later than one year and not later than five years	1,309	1,530
Later than five years	1,012	1,292
	<b>2,770</b>	<b>3,241</b>
<b>Total EU / National Grant Schemes</b>		
Not later than one year	1,123	932
Later than one year and not later than five years	3,273	3,399
Later than five years	2,531	2,871
<b>Present value of obligations</b>	<b>6,927</b>	<b>7,202</b>

## 21 CAPITAL COMMITMENTS

Contracted capital commitments at 31 March not otherwise included in these financial statements amount to £1.0m (2013-14: £1.5m) and is in relation to the Forest Fund.

## 22 COMMITMENTS UNDER LEASES

### Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2014-15 £000	2013-14 £000
<b>Land</b>		
Not later than one year	2	2
Later than one year and not later than five years	7	7
Later than five years	174	176
	<b>183</b>	<b>185</b>

### Finance leases

The Agency had no finance leases during 2014-15 or 2013-14.

## 23 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

### Public Liability Claims

The Agency has 11 ongoing public liability claims at 31 March 2015. Due to the serious prejudice that would be caused to the Agency's position in relation to these claims with other parties, full disclosure is not possible.

## Voluntary Exit Scheme (VES)

The Northern Ireland Civil Service launched a Voluntary Exit Scheme (VES) across all departments on 2 March 2015. The closing date for applications was 27 March 2015. At the balance sheet date, there is a possible obligation on the Agency which may give rise to a liability should any of the Agency's employees apply and be successful. It is not possible, at the balance sheet date, to quantify what this potential liability may be.

## 24 LOSSES AND SPECIAL PAYMENTS

### Losses Statement

	2014-15 £000	Number of cases	2013-14 £000	Number of cases
Forest Fires	-	-	4	1
P. ramorum *	12	9	164	10
P. lateralis *	1	2	-	-
Chalara Fraxinea *	7	6	-	-
Others	19	8	12	6
<b>Total</b>	<b>39</b>	<b>25</b>	<b>180</b>	<b>17</b>

#### \* P. ramorum/P. lateralis/Chalara Fraxinea

The losses indicated above are calculated as the total direct labour and material costs incurred in the necessary harvesting and clearance of affected sites, and the fair value of immature trees. The value of these trees has been calculated using the fair value method described in note 1.4.

### Special Payments

	2014-15 £000	Number of cases	2013-14 £000	Number of cases
Compensation Payment <i>Forest Service land sale in respect of land that was subject to a lease.</i>	450	1	-	-
<b>Total</b>	<b>450</b>	<b>1</b>	<b>-</b>	<b>-</b>

## 25 RELATED PARTY TRANSACTIONS

Forest Service is an executive agency of DARD. DARD is regarded as a related party. During the year, the Forest Service has had various material transactions with DARD and with other entities for which DARD is regarded as the parent Department, including Rivers Agency.

In addition, Forest Service has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with Northern Ireland departments, their executive agencies and arms length bodies.

No board member, key manager or other related party has undertaken any material transactions with Forest Service during the year.

## **26 THIRD-PARTY ASSETS**

Forest Service has no third-party assets as at 31 March 2015.

## **27 EVENTS AFTER THE REPORTING PERIOD**

The Northern Ireland Civil Service launched a Voluntary Exit Scheme (VES) across all departments on 2 March 2015. The closing date for applications was 27 March 2015. On 2 June 2015, 8 staff in the Agency were notified that their applications had been approved however progress on the Scheme is now contingent upon funding being made available as part of the Stormont House Agreement. Consequently, confirmation of funding has not yet been confirmed. In order to ensure that the VES can proceed should funding be confirmed by the end of August, conditional offers have been made to those staff selected to leave in Tranche 1 at the end of September. At the balance sheet date, there is a possible obligation on the Agency which may give rise to a liability should funding for the scheme be approved.

## **DATE OF AUTHORISATION FOR ISSUE**

The Accounting Officer authorised these financial statements for issue on 29 June 2015.









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