



An Agency within the Department of
**Agriculture, Environment
and Rural Affairs**
www.daera-ni.gov.uk



FOREST SERVICE

ANNUAL REPORT

2015 - 2016



**Forest Service Agency
Annual Report and Accounts
for the year ended 31 March 2016**

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by the Department of Agriculture, Environment and Rural Affairs*

on

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Any enquiries regarding this document should be sent to us at:

Forest Service Headquarters
Inishkeen House
Killyhevin
Enniskillen
Co Fermanagh
BT74 4EJ

Tel: 028 6634 3165

e-mail: customer.forests@daera-ni.gov.uk

**web sites: www.daera-ni.gov.uk/forestry
www.nidirect.gov.uk/forests**



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Annual Report
for the year 1 April 2015 – 31 March 2016

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Timber processing

Chief Executive's perspective on performance



I am pleased to present the Annual Report and Accounts of the Forest Service for the year ended 31 March 2016.

We achieved six of the nine Key Targets set by the Minister and twenty of the twenty five supporting targets.

I was delighted to greet the then Minister of Agriculture and Rural Development (Mrs Michelle O'Neill MLA) at Inishkeen House, Enniskillen on 18 February 2016 when she officially opened our new HQ. This was the conclusion of several years work to plan and manage the refurbishment of the building and the task of staff transition. I look forward to establishing new relationships in the local area while maintaining networks with all our stakeholders.

Our 3 year programme of investment in forest recreation has delivered infrastructure throughout the forest estate. I look forward to embedding relationships with Councils and other bodies such as the National Trust, to ensure that facilities are developed and maintained to enhance the tourist and visitor offering in our forests.

The new woodland grant schemes under the Rural Development Programme 2014-2020 were launched on 10/11/2015. We shall set ourselves a target to support the planting of new woodland over the programme period in order to continue to increase the area of forest.

We have worked very hard to keep serious plant and tree disease at bay, including ash die back and *P. ramorum* infection of larch. Our horizon scanning suggests that many more pathogens are out there and we shall remain vigilant.

Whereas the policy context for renewable energy is fluid at present, we have had to revisit our thinking on developing wind farms on the forest estate. Nonetheless, I am optimistic of bringing proposals to the NI Executive during the next programme for government.

Managing forests sustainably for timber and for recreational and social use remains at the core of what we do. I am pleased that we have retained our UK Woodland Assurance Standard (UKWAS) certification in this regard following a detailed audit of our policies and practice in 2015.

As a result of focussing our efforts on income generation we have been able to absorb some of the costs of delivering a plant health service while keeping our net operating position within parameters in these austere times. Signals regarding timber prices suggest that significant challenges lie ahead. As I write, our plans to face them as we join the new Department of Agriculture, Environment and Rural Affairs (DAERA) are well developed.



MALCOLM BEATTY
Chief Executive
28 June 2016



Walking in Rostrevor Forest, Co. Down

Purpose and Activities

History and Statutory Background

The Forest Service is an Executive Agency of the Department of Agriculture, Environment and Rural Affairs (DAERA), previously 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 is responsible for plant health matters.

The Chief Executive is responsible to the Minister of Agriculture, Environment and Rural Affairs (Miss Michelle McIlveen MLA) 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. The document was substantively updated in 2015 and endorsed by the then Minister, Ms. Michelle O'Neill MLA.

Functions

Forest Service fulfils DAERA's (previously DARD's) legal obligations in the areas of forestry, plant and bee health, plant reproductive materials and horticulture marketing standards. The Plant Health Directorate will seek to adhere to International Standards for Phytosanitary Measures and standards as they are applied under EU Plant Health Regulations.

The key tasks required to deliver the Minister's policies are:

1. To promote forest expansion by private landowners and public bodies primarily through grant aid under the Rural Development Programmes;
2. To promote the arrangements for partnership working on forestry lands by formalising agreements to supply timber, provide access and enhance biodiversity effectively, efficiently and equitably;
3. To provide a regulatory framework and administrative process that encourages compliance with forestry, plant and bee health legislation, aid scheme rules and seed certification schemes that are monitored and enforced through official inspection programmes;
4. To protect the productive capacity of agriculture and forestry lands by monitoring the impact of plant health and disease; by working with others to minimise the impact of wild-fire on forests; by monitoring forestry productivity and losses from disease, fire, storms and land-use change; by strengthening our approach to forest planning so that we are better able to predict forest growth and mitigate the effects of changing climate and other external impacts on forestry, and, with our partners in the academic community, to maintain the knowledge base about forestry and plant health; and
5. To manage the Department's forests in consultation with stakeholders so as to:
 - Supply timber and to regenerate and protect areas affected by harvesting, disease and fire, by monitoring forest productivity, by planning harvests, by negotiating sale of forest products, and by investment to improve access and restock forests;
 - Promote public access for recreation, by maintaining and improving facilities and visitor services, through partnership arrangements with other public authorities, commercial providers, or groups of recreational users;
 - Verify sustainable management performance through a process of independent audit against the UK Woodland Assurance Standard; and
 - Develop plans to release land from forestry for renewable energy generation and environmental improvement where this is consistent with our sustainable development obligations.

Vision and Aims for 2015-16

To promote forestry and enhance plant health for a thriving and sustainable rural economy, community, and environment, to promote social and economic equality;

- to increase the area of forest to 12% of land area by 2050;
- to manage forests to provide a wide range of public and private benefits consistent with national forestry standards to protect the environment;
- to safeguard plant health.

Business Priorities for 2015-16

Within the context of implementing our strategic aims, we agreed a number of business priorities for the 2015-16 business year. These were to:

- Encourage forest expansion;
- Manage forests using evidence that production and other services are sustainable and a cost-effective way to produce an income, to protect forest environments, to promote social use of forests, and to exploit opportunities for renewable energy investment principally in wind farms;
- Continue to make investments to improve recreation and tourism infrastructure and support improved partnership working consistent with our Recreation and Social Use Strategy;
- To enhance plant health on an all Ireland basis and help the agri-food industry prepare for future market opportunities and challenges;
- Move Forest Service Headquarters to Fermanagh.

The 2015-16 Business Plan set out the actions, key and supporting targets, or milestones to address these priorities.

Key risks to the delivery of objectives

A Risk Register has been prepared on the basis of an assessment of the key risks impacting on the achievement of the Agency's Key Performance targets and comprises the following:

- An evaluation of the Key Risks in terms of 'Likelihood' of occurrence and 'Impact' in the event of occurrence;
- A list of the controls in place to manage the risks identified;
- An evaluation of the 'Risk Appetite' i.e. the adequacy of the control to manage the risk and the Agency's ability to absorb any gap in control, or the additional action required to improve control and the criticality of the additional action; and
- Designation of the officer responsible for managing and reporting on the actions identified to improve control.

Key Risks Summary

In the context of the 2015/16 Business Plan the following key risks were identified:

1. Inadequate reserve of growing trees to achieve 12% of land area of NI by 2050;
2. Failure to promote sustainable forestry;
3. Failure to obtain income;
4. Failure to implement Ministerial decision to relocate Forest Service HQ to Fermanagh;
5. Failure to develop forests for renewable energy and associated community benefits;

6. Failure to provide duty of care to Forest Service staff and visitors to our forests;
7. Reputational harm from failure to develop and deliver services that meet public expectation;
8. Failure in governance, accountability and data management processes;
9. Inadequate knowledge base to inform forestry development and inspection programmes;
10. Fraud;
11. Serious Plant and/or tree disease – entry, spread, and establishment of epiphytotic disease.

Performance Summary

A summary of progress against Key Strategic Targets and Objectives is shown below. Analysis and review of outturn is provided in the next section:

Business Priorities, Key or Supporting target or milestone	2015-16 Outturn
Encouraging forest expansion	
Key Target. Achieve creation of at least 100 hectares of new woodland under the Rural Development Programme 2014-20.	Target Not Achieved 54 hectares approved for payment.
Supporting Target. Transfer existing claims process for Forestry Grant Scheme annual premia onto the Single Application Form.	Target Achieved
Managing forests sustainably in a cost effective way, and exploit opportunities for wind farm development.	
Key Target. Focus our efforts to obtain income of a least £9.35m from forest resources.	Target Achieved 2015/16 income = £11.3m from forest resources.
Supporting Target. Supply at least 400,000m3 of timber to industry	Target Achieved. 414,280 m3 supplied.
Supporting Target. Complete re-measurement of 500 forest inventory plots to develop forest inventory and production forecasts.	Target Achieved. 505 measured.
Supporting Target. Complete 1st registration of unregistered forestry land by 31 March 2016	Target Not Achieved
Key Target. Maintain the validity of our FSC® (Forest Stewardship Council®) and PEFC (Programme for the Endorsement of Forest Certification schemes) certificates.	Target Achieved Certificate in place.
Key Target. 100MW of wind farm potential under active development.	Target Not Achieved

<u>Supporting Target.</u> By 30th June 2015 to complete site specific analysis (grid connections, energy output and financial analysis) on the first phase of forests providing approximately 100 Megawatts of capacity	Target Achieved
<u>Supporting Target.</u> By 30th September 2015 say how community participation and benefits can best be integrated into the development of wind energy on the forest estate.	Target Achieved
<u>Supporting Target.</u> By 31st December 2015, secure all necessary approvals for phase 1 forests to be taken forward for wind energy development.	Target Not Achieved
<u>Supporting Target.</u> By 31st March 2016, commence development activities on at least three phase two forests.	Target Not Achieved
Key Target. Maintain a safe environment for visitors to forests	Target Achieved
<u>Supporting Target.</u> Complete a programme of tree inspections across the Forest Service estate by 31st March 2016	Target Achieved
<u>Supporting Target.</u> Aim for fewer than 5 reportable accidents by the public during 2015/16	Target Achieved
Key Target Maintain the days lost per member of staff through sickness to less than 7.5 days.	Target Not Achieved 8.2 days lost per member of staff due to sickness.
<u>Supporting Target.</u> Robust application of absence management policies and procedures.	Target Achieved
<u>Supporting Target.</u> Support staff to maintain and improve health and well being.	Target Achieved
<u>Supporting Target.</u> Aim for a reportable accident rate of 2% or less.	Target Achieved
<u>Supporting Target.</u> Complete planning reviews for Down and West Fermanagh.	Target Achieved
<u>Supporting Target.</u> Execute memoranda of understanding arrangements for forest recreation and tourism development with at least 3 of the new councils.	Target Achieved
Improve recreation and tourism infrastructure and support improved partnership working.	
Key Target. Deliver a £1m programme of works in forests to underpin investment in forest recreation infrastructure.	Target Achieved £1.2m programme delivered.

<u>Supporting Target.</u> Complete the construction of a new caravan and camping facility at Glenariff Forest Park by 31st December 2015.	Target Achieved
<u>Supporting Target.</u> Agree arrangements for operation of caravan and camping facilities by 17th March 2016.	Target Not Achieved
To enhance plant health on an all Ireland basis and help the agri-food industry prepare for future market opportunities and challenges;	
<u>Key Target.</u> Safeguard plant health status in the north of Ireland to prevent the establishment and spread of quarantine and new plant pests and diseases.	Target Achieved
<u>Supporting Target.</u> By 30th September 2015, establish a baseline for compliance with legislation.	Target Achieved
<u>Supporting Target.</u> By 31st December 2015, introduce a real time data collection Smartphone App that will enable citizens to contribute to the safeguarding of plant health.	Target Achieved
<u>Supporting Target.</u> By 31st March 2016 publish a NI Plant Health Risk Register and Plant Health Strategy.	Target Not Achieved
<u>Supporting Target.</u> By 1st October 2015 develop and implement a stakeholder engagement strategy to deliver joint working with DAFM, other devolved administrations and stakeholders.	Target Achieved
Move Forest Service Headquarters to Fermanagh	
<u>Key Target</u> Relocate Forest Service HQ to Co. Fermanagh during 2015	Target Achieved HQ relocated on 28 September 2015.
<u>Supporting Target.</u> Complete a relocation staff transition plan by 30th June 2015.	Target Achieved
<u>Supporting Target.</u> Complete the relocation project by 30 September 2015 and implementing the Agency Target Operating Model	Target Achieved
<u>Supporting Target.</u> Review business continuity and development plans to resource priority work in the face of potential reduced staff resource.	Target Achieved
<u>Supporting Target.</u> Capture knowledge and development plans	Target Achieved

Resource Accounting and Budgeting

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

Net Operating Cost – 2015-16

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 2015-16 was £24.564m (2014-15: an operating surplus of £7.013m).

The movement between 2014-15 and 2015-16 of £17.55m is mainly due to the upward revaluation of timber credited to the Statement of Comprehensive Net Expenditure, offset by increased receipts and increased programme costs.

The reported reduction in forestry land value in 2015-16 of £24.85m does not reflect trends in the value of land without trees, but does show the average effect of afforestation on land. This is because the value reported for land is the arithmetic difference between the market value of plantations (as calculated by Land and Property Services [LPS]) and the calculated fair value of growing trees based upon the average values obtained for timber over the previous 5 years (based upon data from the Agri Food & Biosciences Institute [AFBI]). The increase in value of timber sales at maturity rose to £9,048ha, a 16% increase on 2014-15 and accounted for the higher timber value at 31 March 2016.

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 £9.582m. Through a combination of careful planning and close monitoring of DRC, expenditure was constrained to £8.813m.

Category	2015-16	
	Budget	Expenditure
	£'000	£'000
Salaries & Wages	8,492	7,984
General Admin Expenses	1,090	829
TOTAL	9,582	8,813

Non-Current Assets

Details of the movement of non-current assets are set out in notes 7 to 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, 95.61% of bills were paid within this Standard (2014-15: 96.95%).

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, 89.22% of bills were paid within the 10 day target (2014-15: 90.54%).

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.

Political and Charitable Donations

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



Phytophthora Ramorum clearing in the Antrim area.

Performance Report

PERFORMANCE ANALYSIS

Performance measures

Measurement criteria are set for the Agency's targets so we can monitor progress and validate success. These will generally be refinements of the following general metrics:

Operational

- New plantations established [hectares]
- Afforestation grant expenditure
- Volume of timber produced for industrial processing [m³]
- Income from forest resources
- Forest visits
- Area of woodland qualifying for UK Forestry Standard [hectares]
- Plant health inspections, sampling, surveys and enforcement where non compliance occurs.

Customer Service

- Performance against prescribed standards of service to the public

Value for money

- Net annual cost of the forestry and plant health programmes
- Maintain income and expenditure within agreed limits

Performance Review

Business Priority 1:

Encouraging forest expansion

We fell short of our key target to establish 100 hectares of new woodland. We paid £1.01 million to 1,150 landowners to encourage 54 hectares of new planting and to maintain 3,700 hectares of plantations established in previous years. 96% of new planting consisted of broadleaved species and 50 hectares was new native woodland. Payments came from the Rural Development Programme (RDP) which is part funded by the European Commission under the transitional arrangements in place after closure of the 2006 - 2013 Rural Development Programme and opening of the 2014 – 2020 Programme. We paid 98% of 2015 annual premia claims by the year-end. We supported 2 owners to reinstate 3 hectares of woodland affected by tree disease with alternative tree species.

In November the Minister launched three new forestry grant schemes and, by the year end, we received applications for 333 hectares and issued approval letters for 243 hectares of new planting.

Business Priority 2:

Manage forests sustainably and cost-effectively to produce an income, to protect the forest environment, to promote social use of forests, and to exploit wind energy opportunities on the forest estate

Our forests support development of the Northern Ireland economy by supplying wood for industrial use. We sold 414,000 cubic metres of logs for £9.95 million, and we estimate that £24 million of

value was added by industry in harvesting, timber haulage, and manufacture for construction, fencing, pallet and packaging, and energy. We obtained more of our timber supplies from tree thinning operations as part of our strategy to extend the life of plantations and reduce the impact of forestry operations on the environment.

We replanted 728 hectares of forest mainly after timber harvesting, but also to restore 161 hectares damaged by tree disease and 15 hectares damaged by fire.

Our practice to manage forest sustainably remains compliant with the UK Woodland Assurance Standard (UKWAS), confirmed through an independent audit accredited by the Forest Stewardship Council® (FSC®) (Licence code: FSC-C084232) and the Programme for the Endorsement of Forest Certification schemes (PEFC) (Licence code: PEFC/16-40-1924) in February 2016.

Our management practice is to seek a balance between our economic, environmental, and social objectives by monitoring forests and how they are used, and planning appropriate investments in forests, roads and recreation infrastructure and interventions such as tree felling, in consultation with stakeholders and forest users. This year we reviewed our plans for 19,000 hectares of forest in Co. Down and West Fermanagh.

We also measured 505 forest inventory plots distributed over the entire estate to improve the reliability of our timber production forecasts, and monitor tree growth. The results informed the All Ireland Timber Production Forecast 2016 -2035 (Council for Forest Research and Development (COFORD) 2016) confirming that we will be able to maintain current levels of timber production to 2020 and beyond, but also indicating that after 2030 production is likely to fall to 75% of current levels.

We also surveyed our forests to identify trees that may present a significant risk to forest users, neighbours, or traffic on roads beside our forests, and a programme of tree surgery is underway to reduce the hazard. Overall, we are satisfied that the risk of a tree or branch falling and causing injury is low, but we will continue to monitor the health of our trees. In support of this we published a Tree Safety Management Practice Guide describing our approach to this issue, as a useful aid to other forest owners.

At the beginning of the year we incurred a significant loss when we had to correct an error about title to land that we sold some years previously. Consequently, we have begun a programme of first registration of 22,000ha of unregistered land, checking our title to these lands in the process. It is now clear that this is a substantial piece of work, at a scale much greater than we had anticipated, and requiring a review of property transactions over many decades. Thus, it has not been possible to meet our target to complete first registration this year. We completed work on 260 hectares of highest priority work, with no issues as yet identified.

Health & 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. Forestry work is inherently hazardous and regrettably fatalities occur within the industry from time to time. We monitor and discuss incidents with customers, with our staff in the work of Health and Safety Committees, and with other forestry organisations to learn lessons, raise awareness, and to promote a safety culture.

Consequently, we are pleased, but not complacent, that we met our business plan targets which aimed at fewer than 5 reportable accidents by the public and a reportable staff accident rate of 2% or less during the year. The following table shows that the average accident rate over five years remains relatively low, there were no fatalities on Forest Service lands, and the number of accidents reported to us by forest users is also low.

	Accidents Numbers	11/12 Number employees & (%)	12/13 Number employees & (%)	13/14 Number employees & (%)	14/15 Number employees & (%)	15/16 Number employees & (%)
Staff	Reportable Non reportable	4 (1.8) 2 (0.9)	3 (1.4) 1 (0.5)	2 (1) 3 (1.5)	6 (2.6) 2 (0.9)	4 (1.7) 0
Visiting Public	Reportable Non Reportable	2 0	4 2	2 3	1 0	1 1

Exploiting wind energy potential

We made less progress than we had hoped in developing wind farm opportunities and failed to meet our key target and two associated supporting targets to have approximately 100 megawatts of wind farm potential under development. A major contributing factor was a series of UK government policy changes, the most significant of which was the removal of Renewable Obligation Certificates (ROCs) and the effect this had on project finance within the 'renewables' industry. However at this stage our analysis strongly suggests that our portfolio of potential projects remains viable, albeit that the conditions for entering the market are likely to have changed substantially. We will continue to take the portfolio forward into 2016/17.

We believe that community participation and benefits will be an essential part of wind farm development on our estate, and we commissioned a report which sought the views of stakeholders and recommending how community participation can best be achieved. The report will be finalised once the policy implications become clearer.

Environmental Regulation

A total of 47 felling licences were issued covering an area of 406 hectares with 98% of these applications being processed within 3 months of receiving a completed application. Thinning or selective felling occurred on 77% of this area with clear-felling accounting for only 23%. Felling licences were issued for 108 hectares of ancient or long established woodland sites. Harvesting interventions were limited to selective felling or thinning on 95% of this area. A total of 3 licences were issued close to Areas of Special Scientific Interest (ASSI) requiring assent from the NI Environment Agency. We investigated 7 reports of suspected felling of trees without the required licence and in all cases the felling was found to be compliant with the legislation.

We provided opinions on 52 projects under the Environmental Impact Assessment (Forestry) Regulations (Northern Ireland) 2006 of which 33 were afforestation projects, 17 were deforestation projects amounting to 24 hectares and 2 were forest road works projects. Three of the afforestation projects were deemed "relevant projects" due to their potential impact on breeding waders and blanket bog priority habitats.

A total of 12 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. Operations managed by Forest Service required an HRA on six occasions. Six HRAs related to Forest Service operations, three for felling licences, and 1 each for private deforestation, a rally event and filming for a television series.

To comply with the Environment (Northern Ireland) Order 2002, we applied for assent to Northern Ireland Environment Agency for forestry operations scheduled to take place within or close to an Area of Special Scientific Interest (ASSI). 21 assents were obtained in connection with felling licences, deforestation and Forest Service operations.

Business Priority 3:

Continue to make investments to improve recreation and tourism infrastructure and support improved partnership working consistent with our Recreation and Social Use Strategy

This was the final year of the Executive’s Economy and Jobs Initiative supporting investment in our forest recreation infrastructure, referred to as the “Forestry Fund”. We invested £1.2 million in the development of major new facilities in 2015/16. This brought the total number of forests where ‘Forestry Fund’ investment has improved recreation and tourism facilities to 10, including the construction of a new visitor reception building in Florence Court Forest Park and a new caravan and camping facility at Glenariff Forest Park.

We were pleased that we were able to make a new partnership agreement with the National Trust to the effect that the Trust will lease the visitor reception building from us, manage it, the adjacent National Trust property, and the forest path network, so that visitors enjoy a much better experience of both the forest and the historic property. Although we had the agreement of the former Moyle District Council and the shadow Causeway Coast Council to enter into a partnership agreement with us, regrettably it was not possible by year end to conclude an agreement with the current Council to manage the new caravan facility at Glenariff.



Glenariff Forest Park caravan site

Agreements with Newry, Mourne and Down District Council led to improved access for the community to a forest recreation area adjacent to a housing estate in Castlewellan while our agreement with Fermanagh and Omagh District Council provided for a new ‘access-for-all’ path at Ely Lodge forest. We were particularly pleased that our partners in Fermanagh and Omagh District Council received recognition by achieving UNESCO Global Geopark status for the Marble Arch Caves in November 2015. We agreed Memoranda of Understanding arrangements for forest recreation and tourism development with four of the new councils, and discussions are ongoing with a further three councils.

Business Priority 4:

To enhance plant health on an all Ireland basis and help the agri-food industry prepare for future market opportunities and challenges

We worked closely with the Department of Agriculture, Food and the Marine (DAFM) and colleagues in the Department to respond to tree and plant disease outbreaks. We jointly recognised the need to engage citizens in identifying and reporting disease symptoms throughout Ireland, and Ministers jointly launched “TreeCheck”, a web based smart-phone app which allows the public to give us a location and photograph of suspect trees, and enables us and colleagues in DAFM to trace disease quickly.

We achieved our key target to prevent the establishment and spread of new plant pests and diseases. We maintained our surveillance programme, carrying out 11,638 inspections for plant health, crop certification, and horticulture marketing standards. We found 18 new planted sites infected with the pathogen *Hymenoscyphus fraxineus* (previously called *Chalara fraxinea*), the cause of ash dieback, and 3 findings in hedgerow ash adjacent to previously infected recent plantings. We also found the fungal pathogen *Neonectria fuckeliana* in Sitka spruce for the first time in Ireland, and the pathogen has now been included in the UK Plant Health Risk Register. The pathogen has previously been reported on other species in Europe, and the significance of the organism is still being evaluated as a primary or secondary causal agent of the symptoms observed.

Although we were unable to meet our target of publishing a Northern Ireland Plant Health Risk Register by the year end, we made significant progress in developing this and discussing a draft Plant Health Strategy with stakeholders. Part of our work was to better identify key plant health stakeholders in agriculture, forestry, horticulture, and in landscape trades, and to communicate our plans with them more effectively. We also established a base line for compliance with statutory plant health requirements and developed criteria for validation. To test this we have increased trade awareness of the bacterial pathogen *Xylella fastidiosa*, now confirmed as present in Italy and Corsica, and which has potential to destroy a wide range of common trees and shrubs.

Business Priority 5:

Move Forest Service Headquarters to Fermanagh

We successfully relocated our HQ to Inishkeen House, Enniskillen delivering an important milestone in decentralisation of civil service jobs from Belfast. The finished office environment provides open plan and flexible workspaces that enable best use of modern information and communications technology. Regrettably, some of our staff in Belfast were unable to relocate with us, and we wish them well with their new departments, and in retirement. We also were pleased to welcome new staff into the Enniskillen HQ, and hope that they will find a rewarding career with us. We were pleased that the Minister (Mrs Michelle O'Neill MLA) formally opened the new HQ on 18 February 2016.

Sustainability

Sustainability was established as 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 2015-16 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 Forestry Challenge Scheme to support planting of 54 hectares of new woodland; and
- Earning £11.3 million from forest resources, mostly arising from the sale of timber certified as coming from Forest Service's sustainably managed forests.

Forestry Performance Tables

The following tables provide statistical data on forestry performance during 2015/16:

Forest Service Statistical Summary 2015 / 2016

Table 1

	Units	2014/15	2015/16
Total area managed	Hectares	75,279	75,234
Forested area	Hectares	62,015	62,137
Acquisition Programme	Hectares	-	-
Disposal Programme	Hectares	0.308	-
Timber Production	Cubic metres		
- roadside		57,341	52,584
- standing		344,569	356,849
New Planting	Hectares	-	-
Replanting	Hectares	914	728
Fire Damage	Hectares	-	6.63
Paying visitors to charged recreation areas	Thousands	339	432
Caravan / camping long stay sites(nights)	Thousands	57	50
Average staff numbers:	Full time equivalent persons		
- industrial		111	108
- non-industrial		121	115

Table 2

Record of Harvesting: April 2015 – March 2016

District	Standing Volume (m3)	Roadside Volume (m3)	Total
East	110,346	32,356	142,702
West	246,503	20,228	266,731
Total	356,849	52,584	409,433

Note: All figures represent volume dispatched from forests.

Table 3

Breakdown of Sales: Agreed for April 2015 - March 2016

Volumes to 7cm top diameter 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		
STANDING SALES											
East	97,868	24,485	1,742	60	4,335	72	268	117,898	440	-	122,233
West	233,690	4,855	30	58	3,673	63	484	236,862	489	-	240,535
Total	331,558	29,340	264	118	8,008	68	752	354,760	472	-	362,768
ROADSIDE SALES											
East	4,474	15,567	-	162	7,673	47	27	14,170	525	60	21,903
West	29,708	1,597	264	126	11,110	88	38	18,179	478	320	29,609
Total	34,182	17,164	264	288	18,783	65	65	32,349	498	380	51,512
ALL SALES											
GRAND TOTAL	365,740	46,504	2,036	406	26,791	66	817	387,109	474	380	414,280

Table 4

Average Prices for Coniferous Timber Sold at Roadside

Average Volumes Per Tree in m ³ over bark	(a) 1 April 2015 to 31 March 2016		
	(b) 1 April 2014 to 31 March 2015		
	Volume m ³	Total Price (Exc VAT) £	Average Price £/m ³
Less than 0.075	(a) -	-	-
	(b) -	-	-
0.075 - 0.124	(a) 2,557	62,248	24.34
	(b) 2,439	45,709	18.74
0.125 - 0.174	(a) 2,997	83,646	27.91
	(b) 8,031	174,626	21.74
0.175 - 0.224	(a) 11,828	391,409	33.09
	(b) 4,859	122,550	25.22
0.225 - 0.274	(a) -	-	-
	(b) 2,828	84,157	29.76
0.275 - 0.424	(a) 5,746	197,742	34.41
	(b) 4,133	114,736	27.76
0.425 - 0.499	(a) 20,090	587,457	29.24
	(b) 5,561	167,989	30.21
0.500 - 0.599	(a) 3,375	112,209	33.25
	(b) 348	10,386	29.84
0.600 - 0.699	(a) 2,225	76,331	34.31
	(b) 1,085	32,758	30.19
0.700 - 0.799	(a) -	-	-
	(b) 8,392	265,269	31.61
0.800 - 0.899	(a) -	-	-
	(b) 5,712	186,051	32.57
0.900 - 0.999	(a) -	-	-
	(b) -	-	-
1.000 and over	(a) 2,279	79,415	34.85
	(b) 1,752	56,149	32.05
TOTAL	(a) 51,097	1,590,457	31.13
	(b) 45,140	1,260,380	27.92

Table 5

Average Prices for Coniferous Timber Sold at Standing

Average Volumes Per Tree in m ³ over bark	(a) 1 April 2015 to 31 March 2016		
	(b) 1 April 2014 to 31 March 2015		
	Volume m ³	Total Price (Exc VAT) £	Average Price £/m ³
Less than 0.075	(a) -	-	-
	(b) -	-	-
0.075 - 0.124	(a) 3,265	33,848	10.37
	(b) -	-	-
0.125 - 0.174	(a) 4,314	67,773	15.71
	(b) -	-	-
0.175 - 0.224	(a) 5,261	89,457	17.00
	(b) -	-	-
0.225 - 0.274	(a) 10,986	201,573	18.35
	(b) 4,184	65,660	15.69
0.275 - 0.424	(a) 130,678	2,228,323	21.93
	(b) 116,136	1,929,402	17.05
0.425 - 0.499	(a) 72,078	1,472,324	24.64
	(b) 70,105	1,291,266	20.43
0.500 - 0.599	(a) 76,871	1,533,898	25.07
	(b) 92,106	1,833,407	19.95
0.600 - 0.699	(a) 58,350	1,227,108	27.30
	(b) 23,650	544,938	21.03
0.700 - 0.799	(a) 6,677	145,065	28.14
	(b) 24,043	546,365	21.73
0.800 - 0.899	(a) 5,726	125,766	28.07
	(b) -	-	21.96
0.900 - 0.999	(a) -	-	22.88
	(b) 12,226	270,714	-
1.000 and over	(a) 2,215	49,686	28.78
	(b) -	-	22.43
TOTAL	(a) 356,779	6,847,830	24.34
	(b) 358,701	6,648,152	19.19

Accountability Report

C O R P O R A T E G O V E R N A N C E

Director's Report

Management Board / Structure

The Management Board comprises senior executive officers of the Agency and non-executive board members (NEBM's).

At 31 March 2016 the Board members were:

Malcolm Beatty	(Chief Executive)
Kevin Hegarty	(NEBM, Strategic Investment Board (SIB))
Helen Anderson	(NEBM, NI Environment Agency (NIEA))
John Joe O'Boyle	(Forestry)
Jim Crummie	(Plant Health)
Marcus McAuley	(Corporate Services)

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 ending 31 March 2016 have been prepared in accordance with the Accounts Direction (DAO(DFP) 03/16) given by the [then] Department of Finance and Personnel in accordance with Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

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 2015-16 resulted in a notional audit fee of £13,250 (2014-15: £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 including nomination of Information Asset Owners. 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

As noted above, the Agency relocated its headquarters from Belfast to Enniskillen at the end of September 2015. Staff are located there, in DAERA Direct Offices, and at Forest Offices at Castlewellan, and Garvagh. Operational training is provided by the College of Agriculture, Food, and Rural Enterprise (CAFRE) under a Service Level Agreement.

Forest Service staff are civil servants and are covered by all NI Civil Service (NICS) Human Resource (HR) policies.

The Agency places 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:

- 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 encourage membership of professional bodies directly connected with the work of the Agency and support membership costs;
- We are committed to achieving business excellence through continuous improvement and to maintaining the Investors In People standard;
- We develop staff, consistent with NICS policies on equal opportunities, health and safety and other relevant legislation; and
- We commit available 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. 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 the NI Public Service Alliance (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.

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. 36 complaints were received by the Agency during the year, 5 of which related to quality of customer service. All complaints have been resolved with the exception of 1 customer service complaint that is still under investigation.

Public access to Information

The main online vehicle for communicating with the public is the 'Forests' section on the NI Direct website: www.nidirect.gov.uk/forests

Other Forest Service business information is accessible at: www.daera-ni.gov.uk/topics/forestry

Statement of Accounting Officer's Responsibilities

Under Section 11 of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance and Personnel (now Department of Finance) 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 Forest Service 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 (FReM) and in particular to:

- observe the Accounts Direction issued by the Department of Finance (DoF), 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 (now the Department of Agriculture, Environment and Rural Affairs) 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 HM Treasury.

There are several areas, in particular, where the Assembly expects Accounting Officers to take personal responsibility:

- regularity and propriety, including seeking DoF approval for any expenditure outside the normal delegations or outside the subheads of Estimates, and carried through with appropriate disclosures in the Annual Report and Accounts;
- selection and appraisal of programmes and projects: using the Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE) and relevant supporting guidance to

evaluate alternatives, and good quality project and programme management techniques, such as Gateway Reviews, to track and where necessary adjust progress;

- value for money: ensuring that the organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, good value and avoidance of error and other waste, judged for the public sector as a whole, not just for the Accounting Officer's organisation;
- management of opportunity and risk to achieve the right balance commensurate with the institution's business and risk appetite;
- learning from experience, both using internal feedback, and from right across the Public Sector; and
- accounting accurately for the organisation's financial position and transactions: to ensure that the government published financial information is transparent and up to date, and that the organisation's efficiency in the use of resources is tracked and recorded.

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 of Agriculture, Environment and Rural Affairs, and the Department's 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 2015 to reflect our expanded remit and the changed governance and shared service landscape now pertaining. The then Minister of Agriculture and Rural Development, Michelle O'Neill MLA, endorsed the Agency's updated Framework Document in December 2015.

Forest Service Management Board (FSMB)

I am supported by a Management Board. New terms of reference, agreed in 2014-15, have applied from April 2015. During 2015-16, the Board comprised of the Forest Service Directors, my Head of Corporate Services and 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. Mr Jim Crummie joined the Board in September 2015 on appointment as acting Director of Plant Health.

Following the relocation of Forest Service HQ to Enniskillen in September 2015 Mrs Pauline Keegan stood down from her position of Non-Executive Director. In January 2016 Mrs Helen Anderson joined the Board as a replacement for Mrs Keegan.

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 2015-16 period no declared interests were deemed to conflict with the conduct of Board business.

A total of 10 Forest Service Management Board meetings were held in 2015-16. The July and August meetings were cancelled due to leave commitments. Attendance details of members are summarised in the following table:

Name	Number of the 10 meetings attended
Malcolm Beatty	10
John Joe O’Boyle	10
Marcus McAuley	10
Jim Crummie	7 of 10
Kevin Hegarty (Non Executive Director)	10
Pauline Keegan (Non Executive Director)	4 of 4
Helen Anderson (Non Executive Director)	2 of 2

There is one formal Committee of the Board, the Forest Service Audit & Risk Assurance Committee (FSARAC). I have established sub committees to deal with investment decisions, risk management and fees and charges.

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 2015-16 by Kevin Hegarty. Membership was refreshed in line with cabinet office guidance during 2015-16 and terms of reference were updated accordingly. The other members of the committee were Mrs Helen Anderson (NIEA) and Mrs. Lisa-Jane McIlveen from DAERA AFBI Sponsor Branch.

FSARAC met on 3 occasions in 2015-16, 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 DAERA Internal Audit and other reports as required or requested.

Attendance details of members are summarised in the following table:

Name	Number of the 3 meetings attended
John McNeill ¹	1 of 1
Kevin Hegarty (Chair) ²	3
Pauline Keegan ³	1 of 1
Lisa-Jane McIlveen	2 of 2
Helen Anderson ⁴	1 of 1

- 1. Resigned June 2015.
- 2. Appointed Chair in June 2015.
- 3. Resigned in September 2015.
- 4. Appointed in January 2016.

Key findings of FSARAC in 2015-16

The Committee noted:

- The conclusions of Internal Audit reviews, progress by management, and follow up reviews conducted by Internal Audit in respect of previous audit recommendations. Internal Audit work was conducted in accordance with Public Sector Internal Audit Standards;
- The continuing sensitivity of the timber asset value to comparatively small errors, which could lead to a material impact on the balance sheet. The Committee again took some assurance from the Internal Audit scrutiny of this issue;
- The risks relating to the Forest Service relocation to Fermanagh, which would be kept under review, in particular, the potential for loss of corporate knowledge of business systems and processes; and
- The risks associated with plant health disease, in particular, the entry and spread of epiphytotic disease.

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, considers all legal and ethical requirements, and ensures appropriate direction for the Agency. Members indicated satisfaction with meetings and committee structure, my handling of Board processes, and the performance of fellow directors. We shall review processes for monitoring performance against our business plan and look at the scope and remit of the risk management sub-committee to ensure continuous improvement in Board and Agency performance.

I have noted the opinion in the Internal Auditors Annual Opinion and 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 a Société Générale de Surveillance (SGS) Qualifor

who audits our management performance against the requirements of the UK Woodland Assurance Standard (UKWAS). The SGS Qualifor 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 (FSC) or Programme for the Endorsement of Forest Certification schemes (PEFC) logos.

Corporate Governance

The Director of Forestry, the Director of Plant Health, and the Head of Corporate Services 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 DAERA 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 DAERA Internal Audit Branch, which operates to standards defined in the Public Sector 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.

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, the Audit Risk and Assurance Committee (ARAC), Board sub committees, the Northern Ireland Audit Office, Internal Audit, and the Société Générale de Surveillance (SGS).

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.

Quality of the data used by the Board

The ARAC 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 the SGS Qualifor and by their systems and processes, and by the processes to prepare and present papers for Board meetings. Directors have been required to provide written reports to each Board meeting during 2015/16 covering progress with key and supporting targets, internal controls, and resource and risk management.

Disclosure of information

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 April 2015. 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 Forest Service Management Board 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 to delivery of the Agency business plan are included in the Agency's Risk Register [see overview above] 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 loss of knowledge and skills through staff transition for HQ relocation, NICS Voluntary Exit Scheme, those 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.

Governance Summary

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 DAERA Permanent Secretary and Senior Finance Director, to leadership, expertise, and guidance from the DAERA 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 NICS Senior Civil Service Group (SCSG) and is thereby linked to management processes at that level.
- My Head of Corporate Services 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
28 June 2016

Accountability Report

REMUNERATION AND STAFF

Remuneration Report

Remuneration Policy

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. This was subsequently reduced to 10 points in 2014 and 9 points in 2015 to allow progression through the pay scales within a reasonable period of time.

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.

Salary and pension entitlements

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

	2015-16					2014-15				
	Salary	Bonus Payments	Benefits in kind (to nearest £100)	*Pension benefits (to nearest £1000)	Total	Salary	Bonus Payments	Benefits in kind (to nearest £100)	*Pension benefits (to nearest £1000)	Total
	£'000	£'000	£100)	£1000)	£'000	£'000	£'000	£100)	£1000)	£'000
Mr M Beatty (Chief Executive)	70-75	0	0	31,000	105-110	70-75	0	0	24,000	95-100
Mr JJ O'Boyle (Director Of Forestry)	60-65	0	0	11,000	70-75	60-65	0	0	11,000	70-75
Mr J Crummie (Director of Plant Health Inspection)	50-55	0	0	40,000	90-95	45-50	0	0	42,000	85-90
Mr M McAuley (Director of Corporate Services)	50-55	0	0	9,000	60-65	50-55	0	0	13,000	65-70

*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 exclude 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 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 2015-16 relate to performance in 2015-16 and the comparative bonuses reported for 2014-15 relate to the performance in 2014-15.

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 2015-16 was £70-75k (2014-15: £70-75k). This was 2.97 times (2014-15: 2.84 times) the median remuneration of the workforce, which was £24,413 (2014-15: £25,517).

	2015-16		2014-15
Band of highest paid Directors total remuneration	£70-75k	Band of highest paid Directors total remuneration	£70-75k
Median total remuneration	£24,413	Median total remuneration	£25,517
Ratio	2.97	Ratio	2.84

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 31/3/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	nearest £100
Mr M Beatty (Chief Executive)	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 2.5-5.0	779	757	30	0
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	594	551	10	0
Mr J Crummie (Director of Plant Health Inspection)	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 5.0-7.5	448	384	39	0
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	416	380	7	0

* The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.

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 were eligible for membership of the nuvos arrangement or they could have opted 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, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved 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.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Increases are applied from April and are determined by the CPI figure for the preceding September. The CPI in September 2015 was negative (-0.1%) and HM Treasury has announced that there will be no increase to public service pensions from April 2016. Therefore public service pensions will remain at their current level.

Employee contribution rates for all members for the period covering 1 April 2016 – 31 March 2017 are as follows:

Scheme Year 1 April 2016 to 31 March 2017

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – Classic members or classic members who have moved to Alpha	Contribution rates – All other members
From	To	From 01 April 2016 to 31 March 2017	From 01 April 2016 to 31 March 2017
£0	£15,000.99	3.8%	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 14.7% (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 0.5% 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 is 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.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-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 2008 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. The actuarial factors used to calculate CETVs changed during the 2015-16 year and, consequently, CETV figures increased even without any further pension accrual. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Compensation for loss of office

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

Staff Report

Number of SCS staff by band

The Forest Service Chief Executive, at Grade 5, is the organisation's only Senior Civil Servant.

Staff numbers and costs

Forest Service had an average of 115 non-industrial staff (FTE) and 108 industrial staff (FTE) during 2015-16, a total workforce of 223 full time equivalents (FTEs).

As at 31 March 2016 the workforce stands at 110 non-industrial staff (106.7 FTE) and 111 industrial staff (104.4 FTE).

The costs for 2015/16, which are detailed in Note 4 to the annual accounts, are shown below:

	2015-16 £000	2014-15 £000
Wages and Salaries	6,267	6,676
Social Security Costs	455	473
Other Pension Costs	1,262	1,139
Total net costs	7,984	8,288
Of which:		
Charged to Administration	Nil	Nil
Charged to Programme	7,984	8,288

Exit packages – summary data

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 with successful applicants released in various tranches during 2015-16.

The number of staff released at each tranche and the value of the compensation payments paid by the Department, and recorded as a notional cost in the Agency's accounts, is shown below:

	Industrial No's	Non-Industrial No's	Compensation Payment £
Tranche 1	1	7	127,519
Tranche 2	1	2	88,244
Tranche 3	-	2	78,519
Tranche 4	1	4	212,542
Total	3	15	506,824

Staff composition (Male and Female – Directors, SCS, employees)

The Forest Service Management Board comprises the Chief Executive (male), 3 Executive Directors (male) and 2 non- Executive Directors (1 male, 1 female).

Of the 221 current members of staff, 36 are female (29 non-industrial and 7 industrial).

Sickness absence data

Robust absence management policy and procedure is adopted by the Agency to ensure that the reasons for absence are quickly understood and are addressed with HR partners and with medical professionals when necessary. The desired outcome in all cases is to assist and support staff to return to work as soon as possible.

The Agency just failed to meet the ambitious target we set ourselves, to maintain the days lost per member of staff through sickness to less than 7.5 days in the year; the Agency achieved an average 8.2 days. Analysis of the data indicated that long term cases persisted during the year whereby at any one time 4-8 staff members were absent for periods of more than 20 days. For staff unable to return to work we fully supported recommendations from our HR partners to facilitate retirements. Short term absence rates remained within target.

Staff policies applied re employment of disabled people

Forest Service staff members are civil servants and are covered by all NICS HR policies.

Expenditure on consultancy

The Agency incurred no external consultancy expenditure during the year.

Off-payroll engagements

The Agency had no off-payroll engagements during the year.



Malcolm Beatty
Chief Executive
28 June 2016

Accountability Report

ASSEMBLY ACCOUNTABILITY & AUDIT REPORT

Regularity of Expenditure

As Forest Service's Accounting Officer I am content that the expenditure and income of my Agency have been applied to the purposes intended by the NI Assembly. Furthermore I am content that the Agency's transactions are within the scope of the authorities that govern them, and that there are no material weaknesses in the design and implementation of the Agency's internal controls to prevent and detect fraud.

Fees and Charges

The Agency is required to review the services that it provides and supply a detailed Memorandum Trading Account (MTA) detailing forecast income and expenditure in support of the charging proposals for schemes/services.

The main activity that attracts a charge is recreation; both commercial and non-commercial (refer to Note 3 of the annual accounts). 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.

Remote Contingent Liabilities

The Agency has no remote contingent liabilities as at 31 March 2016.

Long Term Expenditure Trends

The need for economy and value for money in public expenditure, coupled with pressure to reduce Civil Service manning levels was manifest during the year with the loss of staff through the NICS Voluntary Exit Scheme and planning required for significantly reduced budgets from 2017 -2021. Considerable time and effort has been expended in designing a new target operating model that we aim to implement through this budget period aligned to a new Executive's priorities.

The timber industry has shown resilience and demand for timber remains strong albeit that price paid to us looks set to fall in 2016-17 due to wider market supply and demand adjustments.

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 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements 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 and Staff Report and the Assembly Accountability Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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 2016 and of the net operating surplus, 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 (formerly Department of Finance and Personnel) directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and Assembly Accountability Report have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Performance Report and Accountability 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 parts of the Remuneration and Staff 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'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

28 June 2016

STATEMENT OF COMPREHENSIVE NET EXPENDITURE
for the year ended 31 March 2016

		2015-16 £000	2014-15 £000
Operating Income	Note		
EU Income	2	(567)	(666)
Operating Income	2	(11,289)	(9,403)
Operating Costs			
Staff Costs	4.1	7,984	8,288
Grants	5	1,009	1,410
Other Operating Expenditure	5	5,341	5,497
Non-Cash Items	5	3,554	3,429
Revaluation	5	(30,596)	(15,568)
Totals		(24,564)	(7,013)
Net Operating Deficit / (Surplus)		(24,564)	(7,013)

All income and expenditure is derived from continuing operations.

OTHER COMPREHENSIVE EXPENDITURE

		2015-16 £000	2014-15 £000
	Note		
Net (gain) / loss on revaluation of Property, Plant & Equipment	8.1	24,027	(11,422)
Net (gain) / loss on revaluation of Intangibles	9.1	-	(67)
Comprehensive Net Expenditure / (Surplus) for the year ended 31 March 2016		(537)	(18,502)

The notes on pages 46 to 67 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2016

	Note	2016 £000	2015 £000
Non-current assets			
Heritage assets	7	1,167	1,167
Property, plant and equipment	8	137,158	162,550
Intangible assets	9	526	520
Biological assets	11	180,052	147,587
Total non-current assets		318,903	311,824
Current assets			
Assets classified as held for sale	12	1,500	1,175
Inventories	15	52	98
Trade and other receivables	16	2,248	1,719
Cash and cash equivalents	17	3	3
Total current assets		3,803	2,995
Total assets		322,706	314,819
Current liabilities			
Trade and other payables	18	(2,742)	(3,182)
Provisions	19	(597)	(603)
Total current liabilities		(3,339)	(3,785)
Total assets less current liabilities		319,367	311,034
Non-current liabilities			
Provisions	19	-	-
Total non-current liabilities		-	-
Total assets less liabilities		319,367	311,034
Taxpayers' equity and other reserves			
General fund		244,302	211,472
Revaluation reserve		75,065	99,562
Total equity		319,367	311,034

Malcolm Beatty

MALCOLM BEATTY
Accounting Officer
June 15, 2016

The notes on pages 46 to 67 form part of these accounts.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2016

	Note	2015-16 £000	2014-15 £000
Cash flows from operating activities			
Net operating cost		24,564	7,013
Adjustments for non-cash transactions	5	(27,042)	(12,139)
(Increase) / Decrease in trade and other receivables	16	(529)	504
(Increase) / Decrease in Inventories	15	46	40
Increase / (Decrease) in trade and other payables	18	(440)	1,621
Use of provisions	19	-	(10)
Bad debts written off	5	-	(3)
Bad debt provisions (provided for) / released in year	5	(3)	6
Net cash outflow from operating activities		(3,404)	(2,968)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2,131)	(2,264)
Purchase of intangible assets	9	(12)	-
Proceeds of disposal of property, plant and equipment	5,8	82	70
Net cash outflow from investing activities		(2,061)	(2,194)
Cash flows from financing activities			
Funding from parent department		5,465	5,162
Net financing		5,465	5,162
Net increase / (decrease) in cash and cash equivalents in the period		-	-
Cash and cash equivalents at the beginning of the period	17	3	3
Cash and cash equivalents at the end of the period	17	3	3

The notes on pages 46 to 67 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2016

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
Taxpayers' equity at 31 March 2014		197,080	88,326	285,406
Changes in Accounting Policy		-	-	-
Balance at 1 April 2014		197,080	88,326	285,406
Net Assembly Funding - drawn down from DARD		5,162	-	5,162
CFERS payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the Year - Net surplus / (deficit)		7,013	-	7,013
Non-Cash Adjustments	8.2, 9.2	-	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)	-
Transfer of assets at no consideration		31	-	31
Balance at 31 March 2015		211,472	99,562	311,034
Net Assembly Funding - drawn down from DARD		5,465	-	5,465
CFERS payable to the Consolidated Fund		-	-	-
Comprehensive Expenditure for the Year - Net surplus / (deficit)		24,564	-	24,564
Non-Cash Adjustments	8.1, 9.1	-	(24,027)	(24,027)
Non-cash charges - other notional costs	6	2,318	-	2,318
Non-cash charges - auditor's remuneration	6	13	-	13
Transfers between reserves		470	(470)	-
Transfers of assets at no consideration		-	-	-
Balance at 31 March 2016		244,302	75,065	319,367

The notes on pages 46 to 67 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 2015-16 Government Financial Reporting Manual (FReM) issued by the Department of Finance (formerly known as 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 property, plant and equipment, intangible assets, biological 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 DAERA (formerly known as 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.

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 (ONS).

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.

Developed Software

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 software is amortised over the expected useful life of the asset, which can be from 1 to 7 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 an ongoing programme of forest inventory measurement 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, infrastructure 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 (ONS) 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 recorded 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.

DAERA (formerly known as 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. DAERA 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 no early retirements in 2015-16 (2014-15: 2 retirements).

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 (formerly known as the Department of Finance and Personnel) 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, as provided by Account NI, 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 incurred.

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, Environment and Rural Affairs (formerly known as the Department of Agriculture and Rural Development). DAERA is regarded as a related party. During the year, Forest Service has had various material transactions with DAERA and with other entities for which DAERA is regarded as the parent Department.

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 Management Board (FSMB) declare all of the following: -

- i) Any interests in Forest Service other than through the normal relationship of employee / employer, e.g. receipt of grants for woodland expansion;
- ii) 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
- iii) 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 2016

The Agency has reviewed the standards, interpretations and amendments to published standards that became effective during 2015-16 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

	2015-16 £000	2014-15 £000
Grant income:		
EU Income	567	666
Operating Income:		
Timber Sales	9,904	8,124
Other Forest Products	52	46
Recreation	893	833
Rentals	355	310
Other Activities	85	90
	11,289	9,403
	11,856	10,069

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.

	2015-16			2014-15		
	Income	Cost	Surplus/ (Deficit)	Income	Cost	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
Commercial Recreation	446	441	5	432	425	7
Non-Commercial Recreation	447	1,645	(1,198)	401	1,399	(998)
Total	893	2,086	(1,193)	833	1,824	(991)

4 STAFF NUMBERS AND RELATED COSTS

4.1 Staff Costs comprise:

	2015-16		2014-15	
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and Salaries	6,129	138	6,267	6,676
Social Security Costs	437	18	455	473
Other Pension Costs	1,242	20	1,262	1,139
Total net costs	7,808	176	7,984	8,288

The Northern Ireland Civil Service Pension (NICSP) arrangements are unfunded multi-employer defined benefit schemes. Whilst the scheme is defined benefit it has been accounted for as a defined contribution scheme because it has not been possible to separate the Agency's share of the assets and liabilities from the multi-employer NICSP scheme. 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 2016.

For 2015-16, employers' contributions of £1,242,611 were payable to the NICS Pension

Arrangements (2014-15: £1,120,540) at one of three rates in the range 20.8% to 26.3% 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 Alpha from April 2015. From 2016-17, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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 (2014-15: £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 14.7% (2014-15: 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil, 0.5% (2014-15: £nil, 0.8%) of pensionable pay, were payable to the NICS Pension Arrangements 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.

No members of staff (2014-15: 2 individuals) retired early on ill-health grounds; the total additional accrued liabilities in the year amounted to £NIL (2014-15: £685).

4.2 Average Number of Persons Employed

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

			2015-16 Number	2014-15 Number
	Permanent staff	Others	Total	Total
Industrial	105.39	2.50	107.89	110.77
Non Industrial	111.85	2.75	114.60	121.36
Total	217.24	5.25	222.49	232.13

4.3 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 with successful applicants released in various tranches during 2015-16.

As the Department paid all the compensation payments associated with the voluntary exit scheme, on behalf of the Agency, they have been disclosed as notional costs within the accounts.

The number of staff released at each tranche and the value of the compensation payments paid by the Department is shown below:

	Industrial	Non-Industrial	Compensation Payment
	No's	No's	£
Tranche 1	1	7	127,519
Tranche 2	1	2	88,244
Tranche 3	-	2	78,519
Tranche 4	1	4	212,542
Total	3	15	506,824

5 PROGRAMME COSTS

	Note	2015-16 £000	2014-15 £000
Grant Payments			
Paid to applicants	National element	442	744
	EU element	567	666
		1,009	1,410
Rentals under operating leases		48	33
Other Expenditure			
Staff related costs		416	401
Accommodation costs		268	512
Office services		145	114
Contracted out services		2,186	1,543
Professional costs		202	434
Consultancy costs		-	122
Other costs		2,064	2,336
Non-capital purchases		12	2
		5,293	5,464
Non-cash items			
Depreciation	8	1,283	1,000
Amortisation	9	6	30
Loss / (Profit) on disposal of non-current assets		(64)	(66)
Liability provisions provided for in year	19	(5)	535
Bad debts written off		-	3
Bad debts provided for / (released in year)		3	(6)
Notional charges	6	2,331	1,933
		3,554	3,429
Other non-cash items			
Revaluation - Timber	11	(32,790)	(15,373)
Revaluation - Other assets	8	(2,194)	(195)
		(30,596)	(15,568)
Total Programme Costs		(20,692)	(5,232)

Grant Payments

The total of grant payments for 2015-16 included £NIL paid to public bodies (2014-15: £7,476). Payments to private sector recipients for 2015-16 totalled £1,008,750 (2014-15: £1,402,524).

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

		2015-16 £000	2014-15 £000
Services provided by parent department			
Central Support		985	1,045
Voluntary Exit Scheme (VES) Payments	4.3	507	-
Compensation Claims		-	-
		1,492	1,045
Services Provided by other Departments			
DFP Accommodation charges		150	177
Business Development Service		6	7
Departmental Solicitors' Office		7	24
Account NI		233	234
IT Assist		430	432
Auditor's remuneration and expenses		13	14
		839	888
Total Notional Costs		2,331	1,933

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.

As the Department paid all the compensation payments associated with the voluntary exit scheme, on behalf of the Agency, they have been disclosed as notional costs within the accounts. A full breakdown of the VES payments is provided at Note 4.3.

7.0 HERITAGE ASSETS

7.1 2015-16

	Heritage Assets £000
Cost or Valuation	
At 1 April 2015	1,167
Additions	-
Disposals	-
Reclassifications	-
Revaluations	-
Impairments	-
Indexation	-
At 31 March 2016	1,167
Carrying amount at 31 March 2016	1,167
Carrying amount at 31 March 2015	1,167

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

7.2 2014-15

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

8 PROPERTY, PLANT AND EQUIPMENT

8.1 2015-16

	Land £000	Buildings £000	Plant and Machinery £000	Information Technology £000	Assets under Construction £000	Total £000
Cost or Valuation						
At 1 April 2015	152,407	6,060	6,430	349	3,292	168,538
Additions	-	-	393	416	1,322	2,131
Disposals	-	-	(719)	(200)	-	(919)
Reclassifications	-	2,876	-	30	(2,906)	-
Revaluations	(24,854)	735	14	3	-	(24,102)
Impairments	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Net revaluations charged to SOCNE	(2,201)	9	1	(3)	-	(2,194)
At 31 March 2016	125,352	9,680	6,119	595	1,708	143,454
Depreciation						
At 1 April 2015	514	649	4,538	287	-	5,988
Charge in year	139	761	308	75	-	1,283
Disposals	-	-	(702)	(200)	-	(902)
Reclassifications	-	-	-	-	-	-
Revaluations	(139)	72	(7)	-	-	(74)
Impairments	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Net revaluations charged to SOCNE	-	1	-	-	-	1
At 31 March 2016	514	1,483	4,137	162	-	6,296
Carrying amount at 31 March 2016	124,838	8,197	1,982	433	1,708	137,158
Carrying amount at 31 March 2015	151,893	5,411	1,892	62	3,292	162,550
Asset financing:						
Owned	124,838	8,197	1,982	433	1,708	137,158
Finance leased	-	-	-	-	-	-
Carrying amount at 31 March 2016	124,838	8,197	1,982	433	1,708	137,158

- 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 the Department of Finance (formerly known as the 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 (ONS).
- 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 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 2014-15

	Land £000	Buildings £000	Plant and Machinery £000	Information Technology £000	Assets under Construction £000	Total £000
Cost or Valuation						
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
At 31 March 2015	152,407	6,060	6,430	349	3,292	168,538
Depreciation						
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)
At 31 March 2015	514	649	4,538	287	-	5,988
Carrying amount at 31 March 2015	151,893	5,411	1,892	62	3,292	162,550
Carrying amount at 31 March 2014	141,095	4,949	1,502	128	1,965	149,639
Asset financing:						
Owned	151,893	5,411	1,892	62	3,292	162,550
Finance leased	-	-	-	-	-	-
Carrying amount at 31 March 2015	151,893	5,411	1,892	62	3,292	162,550

9 INTANGIBLE ASSETS

9.1 2015-16

	Land Rights £000	Software Licenses £000	Developed Software £000	Total £000
Cost or Valuation				
At 1 April 2015	516	93	73	682
Additions	-	-	12	12
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
Impairments	-	-	-	-
Net revaluations charged to SOCNE	-	-	-	-
At 31 March 2016	516	93	85	694
Amortisation				
At 1 April 2015	-	89	73	162
Charge in year	-	4	2	6
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
Impairments	-	-	-	-
Net revaluations charged to SOCNE	-	-	-	-
At 31 March 2016	-	93	75	168
Carrying amount at 31 March 2016	516	-	10	526
Carrying amount at 31 March 2015	516	4	-	520

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 2014-15

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

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.

There were no donated assets during 2015-16 (2014-15: Nil).

11 BIOLOGICAL ASSETS

	Note	2015-16 £000	2014-15 £000
Value at 1 April		147,587	132,175
Revaluation adjustment			
Transfer to assets held for sale	12	(1,500)	(1,175)
Timber removals		(8,308)	(8,288)
Timber lost to fire		(3)	-
Timber lost to disease		-	(46)
Price / Growth increment		42,276	24,921
Carrying amount at 31 March		180,052	147,587
Revaluation adjustment:			
Credited / (charged) to Statement of Comprehensive Net Expenditure	5	32,790	15,373
In year movement in assets held for sale	12	(325)	39
Movement in timber valuation		32,465	15,412

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 2016-17 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 an ongoing programme of forest inventory measurement 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. A 16% increase in the income per harvested hectare combined with an 8% increase in costs to sell accounted for the revaluation movement.

The increase in the value of sales at maturity rose to £9,048 per hectare (2014-15: £7,788 per hectare), coupled with an increase in the costs to sell of £1,111 per hectare (2014-15: £1,024 per hectare) accounted for the £32.5m 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	2015-16 £000	2014-15 £000
Land		-	-
Timber			
Opening balance		1,175	1,214
Additions		1,500	1,175
Disposals		(1,175)	(1,214)
Revaluation		-	-
Closing Balance	11	1,500	1,175
Carrying amount at 31 March		1,500	1,175

There are no assets surplus to requirements as at 31 March 2016.

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	2015-16 £000	2014-15 £000
Property, plant & equipment	5, 8	2,194	(195)
Growing Timber Revaluation	5, 11	(32,790)	(15,373)
Total Revaluation (credit) / charge in year	5	(30,596)	(15,568)

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

	2015-16 £000	2014-15 £000
Stock	52	77
Fuel	-	21
Balance at 31 March	52	98

The introduction of fuel cards has removed the need to retain fuel stocks across the forest estate. As a result all permanent fuel tanks will be decommissioned in 2016-17.

16 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2015-16 £000	2014-15 £000
Amounts falling due within one year		
Trade receivables	2,129	1,526
Other receivables	19	11
Prepayments and accrued income	100	51
VAT	-	131
Balance at 31 March	2,248	1,719
Amounts falling due after more than one year:		
Trade receivables	-	-
Other receivables	-	-
Prepayments and accrued income	-	-
VAT	-	-
Balance at 31 March	-	-
Total receivables at 31 March	2,248	1,719

17 CASH AND CASH EQUIVALENTS

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

18 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year		
Other taxation and social security	-	-
Trade payables	6	43
Other payables	29	140
Accruals and deferred income	2,437	2,999
Consolidated Funds extra receipts due to be paid to the consolidated fund	-	-
VAT	270	-
Balance at 31 March	2,742	3,182
Amounts falling due after more than one year:		
Other taxation and social security	-	-
Trade payables	-	-
Other payables	-	-
Accruals and deferred income	-	-
Consolidated Funds extra receipts due to be paid to the consolidated fund	-	-
VAT	-	-
Balance at 31 March	-	-
Total payables at 31 March	2,742	3,182

19 PROVISIONS FOR LIABILITIES AND CHARGES

2015-16	Legal Claims £000	Total £000
Balance at 1 April 2015	603	603
Provided in the year	110	110
Provisions utilised in the year	-	-
Provisions not required written back	(116)	(116)
Balance at 31 March 2016	597	597

Analysis of expected timing of discounted cash flows

Not later than one year	597	597
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March 2016	597	597

2014-15

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)
Balance at 31 March 2015	603	603

Analysis of expected timing of discounted cash flows

Not later than one year	603	603
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March 2015	603	603

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 creation and management of 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 co-finance rates specified in the 2014-2020 Rural Development Programme are as follows:

	2015-16 £000	2014-15 £000
EU Grant Schemes		
Not later than one year	857	674
Later than one year and not later than five years	2,027	1,964
Later than five years	1,367	1,519
	4,251	4,157
National Grant Schemes		
Not later than one year	572	449
Later than one year and not later than five years	1,352	1,309
Later than five years	911	1,012
	2,835	2,770
Total EU / National Grant Schemes		
Not later than one year	1,429	1,123
Later than one year and not later than five years	3,379	3,273
Later than five years	2,278	2,531
Present value of obligations	7,086	6,927

21 CAPITAL COMMITMENTS

There are no contracted capital commitments at 31 March 2016 (2014-15: £1.0m).

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:

	2015-16 £000	2014-15 £000
Land		
Not later than one year	2	2
Later than one year and not later than five years	7	7
Later than five years	177	174
	186	183

Finance leases

The Agency had no finance leases during 2015-16 or 2014-15.

23 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

Public Liability Claims

The Agency has 16 ongoing public liability claims at 31 March 2016 (31 March 2015: 11 claims). 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.

24 LOSSES AND SPECIAL PAYMENTS

Losses

	2015-16 £000	Number of cases	2014-15 £000	Number of cases
Tree and Plant Disease				
<i>P. ramorum</i> *	-	6	12	9
<i>P. lateralis</i> *	-	1	1	2
<i>Chalara Fraxinea</i> *	95	23	7	6
Forest Fires	3	1	-	-
Fraud / Theft	3	3	19	8
Ex-Gratia Payments	3	1	-	-
Special Payments	-	-	450	1
	104	35	489	26

* *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.

The losses incurred for *P.ramorum* and *P.lateralis* were below the reporting threshold of £1,000.

The ex-gratia payment was to compensate a claimant for non receipt of Farm Woodland Premium from 2008 to 2014.

25 RELATED PARTY TRANSACTIONS

Forest Service is an executive agency of DAERA. DAERA is regarded as a related party. During the year, the Forest Service has had various material transactions with DAERA (formerly known as DARD) and with other entities for which DAERA is regarded as the parent Department.

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 2016.

27 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Accounting Officer signing the accounts and prior to the certification by the C&AG, a referendum was held on the 23rd June where citizens of the United Kingdom were asked whether they wanted to remain or leave the European Union. As a result of the referendum, the United Kingdom has voted to leave the European Union. This result will have a material impact on the work of Forest Service. As noted in the 2015-16 Resource Accounts, Forest Service distributed £567k in European Funding. Forest Service is not yet in a position to outline the impact that the eventual exit of the United Kingdom will have on Forest Service. Forest Service will work closely with the Department for Agriculture, Environment and Rural Affairs, other areas of Government and key stakeholders to fully assess the impact that this change will have on the services it delivers and the support that it provides.

DATE OF AUTHORISATION FOR ISSUE

The Accounting Officer authorised these financial statements for issue on 28 June 2016.



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