



Forestry Commission

Annual Report and Accounts 1999-2000 for Great Britain and England

The **Mission** of the Forestry Commission is to:

Protect and expand Britain's forests and woodlands and increase their value to society and the environment.

Our **Objectives** are to:

-  Protect Britain's forests and woodlands
-  Expand Britain's forest area
-  Enhance the economic value of our forest resources
-  Conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands
-  Develop opportunities for woodland recreation
-  Increase public understanding and community participation in forestry

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Annual Report and Accounts 1999-2000 for Great Britain and England

Together with the Comptroller and Auditor General's Report on the Accounts

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As a consequence of devolution, we have prepared, in addition to this report, formal reports for the Scottish Parliament and the National Assembly for Wales. These cover our activities in Scotland and Wales. This report deals with Forestry Commission functions funded by Westminster: our activities in England and those functions – such as plant health, international policy, research and pensions - that continue to be funded at the Great Britain level.

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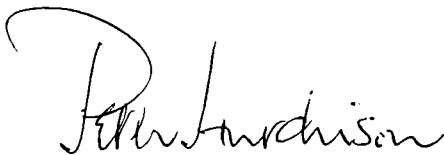
Foreword by Sir Peter Hutchison, Chairman

In my foreword to last year's report I referred to the preparations that the Forestry Commission had been making for devolution. I am pleased to report that we have responded successfully to what has been a considerable challenge.

Over the past year we have been able to bring into sharper focus the work we do on behalf of each country of Great Britain. In particular, we have followed the highly successful England Forestry Strategy with the preparation of strategies for Scotland and for Wales. This has involved listening carefully to the views and wishes of people from all corners of Britain. It has also reinforced the fruitful and strong working partnerships we have been building at all levels in each country. We are making a real difference for good.

At the same time - and this is the benefit of our new status as a cross-border public authority - the Forestry Commission has been, as we hoped, able to add value as an organisation that covers all of Great Britain. The issues highlighted in the first section of this report - such as certification, timber promotion and the international forestry debate - give ample evidence of this. The Commissioners are showing that they can fulfil their role of bringing a long-term perspective and ensuring coherence and, where appropriate, consistency in forestry policy throughout Great Britain.

We are sorry to have lost this year two dedicated and knowledgeable Commissioners, Bridget Bloom and Sir Michael Strang Steel. Sir Michael, a third generation Commissioner, comes from a family that has given 43 years of service to the board. I thank these two retiring Commissioners and all Forestry Commission staff, who have worked so hard in the face of considerable and sustained financial difficulties. We were delighted to welcome to the board new Commissioners Victoria Edwards, Andrew Raven and Gareth Wardell, who bring a wide range of experience and expertise, which will enable us to continue to make a difference for good in England, Scotland and Wales.



Sir Peter Hutchison

Introduction by David Bills, Director General

Since devolution, we have all had to make adjustments. For example, the Forestry Commission has changed its reporting to Parliament, with the majority of our achievements set out in separate reports to the Scottish Parliament and National Assembly for Wales, as well as in the England section of this report. These emphasise a number of specific achievements. In addition, I would like to highlight some important common themes. We continue to be, first and foremost, champions of sustainable forestry. Our most important contribution here is the unspectacular, but crucial, work we carry out day-to-day in managing the public forests in our care to the highest standards and in encouraging the private forestry sector to follow our lead.

We are getting more and more adept at working alongside others, bringing our expertise, experience and resources to the table to ensure the success of projects that may not be wholly ours but that deliver some of our key objectives. A good example is the part we have played in the creation of 1,701 hectares of community forests, which have restored derelict land in areas of social deprivation. We have recently secured a further £9.4 million of Government money for this initiative. We have also taken an important role in the international debate on encouraging sustainable forestry worldwide.

The year 1999-2000 saw two significant events concerning the sustainability of forestry in Great Britain. In June, the United Kingdom Woodland Assurance Scheme was launched. This scheme, which was agreed by all interested parties and welcomed by the Prime Minister, provides independent assurance that wood products come from sustainably managed forests. In November the entire Forest Enterprise holdings were certified by the scheme. We can all be proud of both events, which are substantial contributions to delivering the government's sustainability policy. However, many people's main memory of the past year will be the depressed state of the timber market. The strength of the pound has meant that, although there has been strong demand, competition from imports has kept prices at unprecedentedly low levels, which has unwelcome implications for us all. Everyone in the Forestry Commission has worked hard to reduce costs; in particular I have greatly appreciated the steps that Forest Enterprise has taken. Commissioners were also grateful for the additional resources voted by Ministers that allowed us to make up the shortfall in our finances. Although the market prospects look better now than they did this time last year, I cannot promise a short-term turnaround.

But I do see some reasons to be cheerful. I am delighted that we are about to see the launch of a timber promotion campaign, designed to raise awareness of the benefits of using wood. I also warmly welcome the development in Scotland and Wales of the "cluster" approach to industry development, which will give significant impetus to the drive for competitiveness in the whole sector. Perhaps most importantly, the continued enthusiasm for our forests and woodlands has convinced me more than ever that, whatever the market price for timber, there is still great value in our forests and woodlands. Society as a whole is becoming increasingly aware of the value (in every sense of the word) of our woodlands and the contribution they can make to the quality of life. Also, our processing industry continues to invest in producing quality products from sustainably managed forests in many parts of the country where jobs are most needed. The United Kingdom remains - for reasons of history - short of woodland cover. The sector therefore has a bright future and there is much worthwhile work to be done both by the Commission and by the increasingly broad spectrum of society that is devoted to expanding and improving our forests and woodlands. Fortunately, the Forestry Commission is full of very able and committed people with proven ability. Devolution may have affected many aspects of our operations, but the status of staff was unchanged. It may be clichéd to say that they are our greatest asset, but it is nevertheless true: It is an asset we are determined to nurture and develop. We continue to give a high priority to people issues. Some of the ways we have done this include improving diversity, in line with Modernising Government, and unifying all Forestry Commission staff in a single work group. Some of these steps will not hit the headlines, but they are essential if we are to create together a modern Commission able to meet the very modern challenges that we shall undoubtedly face in the years ahead.



David Bills

Review of the Year

Great Britain

Sustainable forest management

UK Woodland Assurance Scheme

The United Kingdom Woodland Assurance Scheme (UKWAS) was launched in June with the backing of a wide range of organisations in the environmental and forestry sectors and a message of support from the Prime Minister. This voluntary scheme for the independent assessment of forest management in the United Kingdom is a world first. It is the only national standard for sustainable forest management that has the support of all interested parties. United Kingdom growers can use the scheme to assure buyers and retailers that their wood products come from forests managed in an environmentally sound way.

Although the Forestry Commission supported the development of UKWAS, it is a voluntary scheme in the private sector and is managed by an independent steering group. We expect that, as demand for independent assessment grows, UKWAS will help place the United Kingdom in the forefront of efforts to ensure the sustainable management of forests.

In November, the public forests in the care of the Forestry Commission were certified. This followed a rigorous audit by SGS Forestry, covering all areas of Forest Enterprise's management.

The UKWAS steering group recognises that the costs of certification are proportionately higher for the owners of small woodland holdings. The group has explored a number of possible ways to help these owners. We are working on a number of initiatives and we hope that these will begin to bear fruit shortly.



UK Forestry Standard

The UK Forestry Standard - which was published in 1998 - provided a firm basis for much of our work, and in particular for the Woodland Grant Scheme, Forest Enterprise Forest Design Plans and for priorities in the Research Programme. We published a revision of the Forests and Water Guidelines, which is one of the documents underpinning the Standard, and also the first five of 10 regional reports for Scotland from the National Inventory of Woodlands. These reports have an essential role in monitoring the Standard and demonstrate the increasing area and diversity of Scotland's woodlands.


The Standard identifies landscape and employment as two essential criteria for sustainability. We asked independent observers to assess the Standard of implementation of the Forest and Landscape Design Guidelines in United Kingdom forests and also to assess the characteristics of viable small scale forestry businesses. These reports and the Forestry Commission's response will be published during 2000-2001.




Biodiversity

We have, through the new Forestry Commission Biodiversity Group, prepared:

-  An analysis of the published action points from all of the United Kingdom Biodiversity Action Plan (UKBAP) plans that are relevant to forestry. This is being used by our National Offices and Forest Enterprise to help prioritise the allocation of resources in each country; and
-  A list of the appropriate Forestry Commission contact names for all relevant Species and Habitat Action Plans. This will help partner bodies and the public to communicate with the Forestry Commission about our contributions to the UKBAP. The list will be published on the internet and in our newsletters.

The Forestry Commission and partner organisations in the United Kingdom Native Woodlands Habitat Action Plan Group worked on several fronts to help Great Britain achieve targets for native woodland, including:

-  Developing a common understanding of the scope of the plans and definitions of the targets and how they should be assessed;

-  Producing a report on the data systems needed to monitor progress against the targets for improving, restoring and expanding our native woodlands;
-  Planning changes to the Woodland Grant Scheme (WGS) and Forest Enterprise data systems to collect more of the necessary information; and
-  Reporting to the Joint Nature Conservation Committee (JNCC) on progress so far, as part of a United Kingdom wide progress report on the UKBAP.

We strengthened our research into biodiversity conservation this year by adding a new programme for landscape ecology, which will help managers to plan for biodiversity at the landscape level.

International discussions on sustainable forestry

The work of the United Nations Intergovernmental Forum on Forests (IFF) ended this year. At its final session in February, the IFF proposed new international arrangements on forests. These include establishing a new United Nations body to help put into action internationally agreed actions on forests, through providing a coherent, transparent and participatory global framework. This result marks a breakthrough in the international forestry debate and will provide a clear international focus for sustainable forest management during the next five years.

In October 1999 the Ministerial Conference for the Protection of Forests in Europe adopted a programme of work to put into action the commitments to sustainable forest management made at the three Ministerial Conferences in Strasbourg, Helsinki and Lisbon. This programme addresses common pan-European issues and future challenges, including the further development of criteria and indicators for sustainable forest management, the biological and landscape diversity of European forests, rural development and the management of mountain forests.

European Union

We have secured increased funding for forestry from the European Union (EU) through a new package of support measures for rural development. This new second pillar of the CAP (Common Agricultural Policy), the Rural Development Regulation, was agreed during the year. After negotiating its forestry chapter, we are now working with partners to deliver a programme of support to the forestry sector throughout Great Britain. In addition, under the latest reform of the EU Structural Funds, the United Kingdom government secured additional Objective 1 areas in West Wales and the Valleys, South Yorkshire and Cornwall. We have been working with partners in both the new and existing Objective 1 areas, and in the Objective 2 areas, to include forestry in the support programmes that are being developed. Through these mechanisms, forestry programmes are well placed to play a significant role in delivering the EU's support to rural areas and the urban fringe.

Forest condition survey

The Commission carries out an annual survey of forest health in Britain, and in 1999 a total of 8,471 trees of five species - oak, beech, Scots pine, Norway spruce and Sitka spruce - were assessed on 355 plots. Growing conditions during 1999 were good and the condition of all five species changed little compared to 1998. A slight improvement in Sitka spruce probably represents a gradual recovery from a severe attack by the green spruce aphid in 1997. Oak was less affected by insect attack than in previous years but it was still in notably poorer condition in central Scotland, north-east and south-west England, Wales and East Anglia than elsewhere.

Forest reproductive material

A new EU Council Directive on the marketing of forest reproductive material - that is, seeds and plants - was published on 15 January 2000. It will eventually replace two current directives that apply to 13 species and one genus. The directive aims to ensure that forest reproductive material marketed to the end user is clearly labelled and identified, is genetically and phenotypically adapted to the site and is of high quality.

The directive applies to the production and marketing of forest reproductive material from 46 species and hybrids and one genus. A member state may restrict the list of species to those that are economically important in its territory. Only approved basic material - such as stands and orchards - recorded in the National Register can be used for the production of forest reproductive material that is to be marketed. All supplies of forest reproductive material must be officially registered.

The directive allows national governments to prohibit the marketing to the end user of reproductive material that is not well adapted or could have an adverse effect on forestry, environment, genetic resources or biodiversity in all or part of the country. An official control system in each member state will ensure that lots of reproductive material conform with the provisions of the directive during the whole of the production phase through regular inspections of registered suppliers.

The Forestry Commission will be developing proposals to implement the directive in Great Britain. This will include consultation with other government departments, the forestry industry and other interests. Our new national regulations have to be in place by 1 January 2003.

Forest Enterprise community involvement

Forest Enterprise continues to develop and expand its community involvement, both in towns and in the countryside. In July 1999, it set out a blueprint for staff and local communities in *Working with Communities in Britain: how to get involved*.

Our successful partnership with Community Forests in England was boosted by the government's award of £9 million of new investment from the Treasury's Capital Modernisation Fund (CMF). The money will be contributed over two years to a £13 million project to acquire land, establish 1,000 hectares of mixed woodlands and develop access and environmental benefits for local people in the Red Rose, Mersey and Thames Chase Community Forests. The CMF is designed to modernise public service and infrastructure through innovative investment.

In Scotland, Angus Mackay MSP, the Deputy Minister for Justice, launched Forest Enterprise's strategy for involving communities in the management of the public forests in the care of the Forestry Commission in Scotland. Forest Enterprise was the first public agency to publish a statement of this kind as part of the Scottish Executive's programme of land reform measures.

Christine Gwyther, Agriculture and Forestry Secretary in the National Assembly for Wales, launched a significant consultation exercise on the future management of the public forests in the care of the Forestry Commission in the South Wales valleys.

All over Britain, Forest Enterprise is engaged in an increasing number of partnerships involving local communities and other stakeholders in a wide range of innovative projects, in addition to the more routine aspects of forest planning and operational activities. More details are given in the country reports.

Creation of new advisory panel

As reported last year, the Forestry Commission decided to retain a central advisory body after the devolution settlement. It decided, however, to reform the existing Home Grown Timber Advisory Committee in four ways: by reducing its size; ensuring that all relevant interests were represented; sharpening its focus; and improving its access to Commissioners. The members of the newly formed committee, now known as the Forestry Commission Advisory Panel (FCAP), are listed in Appendix three.

The panel members were given these terms of reference:

- 🌲 They will advise on the implementation and development of the United Kingdom Forestry Standard, with particular reference to the enhancement of sustainable forest management;
- 🌲 They will advise on the impact of new European and United Kingdom legislation or policy developments that affect forestry, including plant health;
- 🌲 They will advise on forest research priorities;
- 🌲 They will provide information and comment on trends of supply and demand in Great Britain and advise on the future development of the timber industry;
- 🌲 They will advise on community involvement, social forestry issues, other non-market benefits and communication between and within the forestry sector; and
- 🌲 They will advise on other issues, as directed by the Forestry Commissioners.

The FCAP met in July, November and March. It worked primarily on advice to the Commissioners on investment in the forestry industry, the role of forestry in relation to health and the future shape of the state forests. The FCAP decided to retain three sub-committees with the following terms of reference:

Technical sub-committee

This group will advise the FCAP on:

- 🌲 The technical aspects of forest and woodland management for the delivery of economic, social and environmental benefits;
- 🌲 Technical matters concerned with the processing of forest products in Great Britain, and the best ways of adding value;
- 🌲 The relevance and priorities of research programmes to achieve these aims;
- 🌲 The dissemination and exchange of technical information.

Supply and demand sub-committee

This group will advise the FCAP by:

- 🌲 Compiling and presenting information on the supply and demand of timber and other wood products in Great Britain; and
- 🌲 Making considered comment on the interpretation of that information, as well as on market trends and factors affecting market development.

Environment sub-committee

This group will advise the FCAP on:

- 🌲 The environmental, social and economic aspects of sustainable forestry, including biodiversity, landscape, water quantity and quality, air pollution, carbon storage, climate, soil, cultural heritage, recreation, economic and social functions and interactions with other land uses; and
- 🌲 The relevance and priorities of research programmes to achieve these aims.

Research

Research and innovation led by the Forestry Commission has driven the expansion of British forestry during the past 50 years. We maintain an active programme of research in our agency Forest Research (which has produced an annual report of its own activities), supported by a smaller portfolio of projects in other research institutions. The research we commission serves all our objectives and through them supports the achievement of sustainable forest management in Britain. In the past, our research concentrated on protecting the new crop, and in increasing its economic value. While these areas still require research support, we have made a significant strategic change towards research into the biodiversity of our woodland and, most recently, into understanding the social and cultural importance of forestry. We have found it difficult to make worthwhile advances in these qualitative studies. However, our small investment in this area is growing rapidly. In 1999-2000, we reaped some significant results from a number of our first projects; below are the highlights of this, and a selection of research topics from other disciplines.

Social forestry and heritage





Since the Earth Summit in Rio de Janeiro in 1992 it has been increasingly recognised that forest policy and practice should take account of the attitudes, perceptions, understandings and aspirations of stakeholders. We believe that our programme of work in this area, combined with our research and knowledge of the economic and environmental contributions of forestry, will provide a better appreciation of how we can help Great Britain achieve sustainable forest management.

During the year we continued with research into the place of forestry in contemporary Welsh culture. After an initial study at Bangor University we were pleased that a proposal for a Collaborative Awards in Science in Engineering (CASE) studentship was accepted. The early stage of this study, which is based at the University of East Anglia, is showing that people in towns and cities see trees and forests as icons for the natural world. The study shows that, while people may not think about trees and forests every day, they are aware of the quality they add to life and of the continuity their long lifespans bring to a fast-paced world.

We were very pleased that a second CASE studentship was awarded following a joint proposal by the Forestry Commission and Cheltenham College of Higher Education. The research into the delivery of sustainable forest management through land-use planning is being carried out jointly with Red Rose and Mersey Community Forests and four local authorities in the north-west of England. In the same area, and through an initiative by the local Conservator, we collaborated with Cumbria County Council and the Countryside Agency to fund a study into the use of the internet for gathering the views of local communities. The study - which was carried out by the Centre for the Study of Environmental Change at Lancaster University - will help researchers to design more effective ways of finding out the views of stakeholders.

We commissioned Forest Research to take part in two multi-disciplinary research projects with Heriot-Watt University in Edinburgh. The project will build on previous landscaping research and attempt to develop a better understanding of how the internal design of woodlands can be adapted to meet the needs of users.

Other projects undertaken during the year included:

-  A review of the recruitment, selection and advancement of women forestry professionals in Britain;
-  Monitoring the Laggan community forestry initiative;
-  Studies with the Department of the Environment, Transport and the Regions (DETR) into what factors drive countryside change;
-  A collaborative project with the countryside agencies in Scotland to develop resources for communities that want to establish community woodland.

Protecting the cultural heritage has been an important concern for forestry for several years. We have commissioned research into the impacts that forestry can have on archaeological sites, so that long-term conservation can be properly managed. We have paid particular attention to energy forestry crops and to understanding the links between woodland history and ecology. The projects involved a number of specialists and partners in other government departments and agencies, as well as Forest Research. The research provided one of the many links that we are working to establish between “soft” and “hard” research disciplines.

Native woodlands

The Forestry Commission is the lead partner in the Habitat Action Plans for native woodland. The range and type of data needed to draw up the plans were examined by a consultant working with our partner organisations, which include the countryside agencies and non-governmental environmental groups. The final report made recommendations for the co-ordinated development of data systems, including those of Forest Enterprise and the Woodland Grant Scheme database, to allow us to track progress against the targets for improving, restoring and expanding native woodlands. The report also recommended the development of a national inventory of native woodlands to enable us to monitor overall changes in their quantity and quality in response to the Habitat Action Plans. The Forestry Commission and our partner organisations accepted the report as a basis for future action.

During 1999, the Forestry Commission and Scottish Natural Heritage jointly funded a review to identify how the needs of eagles could be taken into consideration when designing native woodland and choosing tree varieties. The study was carried out by an expert on golden eagles and suggested how native woodlands could be expanded without interfering with golden eagle breeding.

The establishment of trees on contaminated land

Planting trees on land degraded by former industrial activity is making an increasingly important contribution to the expansion of woodland. Trees planted on sites of this kind offer immense social and environmental benefits, as well as increasing the possibility of economic activity on what was unproductive land. It can be particularly difficult to establish plants on sites contaminated by toxic materials, such as heavy metals. We fund a significant research programme that is exploring how best to create woodland on these sites without releasing toxic substances into the surrounding land or water.

In 1999, researchers finished analysing a large number of tree and soil samples taken from a range of contaminated sites on which trees were already growing. This essential preparatory work has shown that different metals are found in predictable places in foliage, branches, stem, bark and roots. We also made good progress in establishing a series of nursery-based experiments to investigate the tolerance of trees to different levels of metals and the effectiveness of making changes to the soil. Early results from these experiments have already indicated that making changes to the soil can increase tree growth and survival rates. This work has been carried out by Forest Research, which has ensured that our project complements research and policy in other government agencies and research institutes that have an interest in the remediation of contaminated land. Another link has been developed with other Forestry Commission research into the potential of genetically modified trees. Researchers at the University of Abertay, Dundee have been investigating the genetic manipulation of elm to achieve resistance against Dutch elm disease. We asked them to extend the project to investigate the feasibility of modifying a range of species to improve their tolerance of toxins in contaminated soil.

Development of a contraceptive vaccine for the grey squirrel

The grey squirrel causes serious damage to trees in Britain and is also implicated in the decline of the native red squirrel. Control of grey squirrels currently involves either trapping or poisoning. However, oral contraceptive vaccines offer a humane alternative method of controlling a number of wild mammals, and we have been involved in collaborative work on grey squirrels for several years. Our partners in the current phase of the project are the Joint Nature Conservation Council and private forestry interests including the Scottish Forestry Trust.

The development of a vaccine is a complex process requiring detailed investigations at the molecular, cellular and systemic level to evaluate efficacy and safety. Alongside these, ecological assessments are necessary to evaluate the potential impact on wildlife management. To develop this project we have linked the expertise in reproductive biology of the University of Sheffield to that of our mammal ecologists in Forest Research. During 1999, the two groups of researchers were able to extend the preparatory laboratory research to a trial on a small number of live squirrels in enclosures in a beech plantation. Only 15 per cent of treated females became pregnant while 50 per cent of the controls became pregnant and produced litters. Despite the small number of trial animals, these results are sufficiently encouraging to encourage us to proceed to further field and laboratory research.

Protection of young trees against *Hylobius weevil*

Hylobius abietis is one of the most serious insect pests in forestry. It kills young seedlings and transplants by eating the bark on their stems. Without protecting transplants, the national average for losses in newly restocked conifer plantations would probably be about 50 per cent.

The most effective control measures involve dipping the plants in permethrin-based insecticides before planting or spraying them after planting. Our policy on pesticides is to minimise their use and this treatment constitutes one of the biggest single uses of an insecticide in United Kingdom forestry. We have for several years been investigating a biological control method using the microscopic nematode worms that are now regularly used by gardeners and horticulturists to control soil-dwelling insect pests. Large-scale field trials were carried out by Forest Research in 1999 but the results will not be apparent for some time. The researchers also had to implement a crash programme of research into alternative pesticide treatments when it was learned not only that statutory approval for treatment by dipping would be withdrawn, but also that permethrin was likely to become unavailable after 2003. A number of alternative insecticides are being compared in these trials. We also commissioned two complementary projects on application technology: one at Imperial College to look at innovative spray systems and another at the Scottish Agricultural College (SAC) to develop a system that allows newly-treated transplants to be dried without being handled.

Wood technology

We support wood technology research and in particular have a number of projects at the Building Research Establishment's Centre for Timber Technology and Construction (CTTC). Most of these projects are co-funded by the industry, which is represented on the project steering groups. For example, there is a steering group that features experts from leading United Kingdom sawmillers that have invested heavily in timber drying kilns. They have pooled measurements collected by the CTTC researchers from the sawmill kilns and are working together to improve drying efficiency and to reduce the amount of wood rejected because of distortion. Results from the trials have shown considerable variation between kilns and often within the same kiln. Researchers and the industry are well ahead with drawing up guidelines for best practice.

Another innovative project, which is looking at ways of adding value to low-grade hardwood and softwood timber, has reached the stage of service trials and commercialisation. During this project, researchers have cut out defects in low-quality sawn oak, beech, Scots pine and Sitka spruce before gluing and drying the unseasoned timber. Each species reacts differently to adhesives, and researchers have found the best glue for each type of tree, which has led to reduced distortion during drying, and less material to be dried. Using this technology, low-quality timber has been upgraded to produce high-specification windows, gates, fencing and packaging.

Forestry Research Co-ordination Committee (FRCC)

The Forestry Research Co-ordination Committee (FRCC) brings together the principal sponsors of forestry research in the United Kingdom. The committee's objectives are to avoid duplication in forestry research, to develop common strategies and to ensure that adequate attention is given to key issues. Sponsors also pool information about their future funding intentions. The committee met twice during the year. Tim Rollinson was welcomed as the new chairman after the retirement of David Foot. Membership of the committee has been extended to include the Scottish Forestry Trust.

In October 1999 the committee collated and considered the total United Kingdom expenditure on forestry and tree-related research for the year. It also considered the English, Scottish and Welsh forestry strategies, and the European Union's Rural Development Regulation. In March 2000, the committee published and distributed the report of the 2000 FRCC seminar on Short Rotation Coppice and Wood Fuel Symposium - from Research to Renewable Energy. In the same month, the committee discussed agroforestry and the plans for a new United Kingdom forestry sustainability document. FRCC Information Notes 54 and 55 have full accounts of the October and March meetings, and the committee's website - at <http://frcc.forestry.gsi.gov.uk> - carries more details of the committee and its activities.

The timber market

Timber prices

Timber prices fell significantly in 1997 and 1998, then stabilised in 1999, at some of the lowest levels we have seen for years. Towards the end of the year, there was a modest rise in prices.

The prospects for the coming year look better than they did 12 months ago. Demand remains strong in all sectors and despite the high exchange rates, United Kingdom panelboard manufacturers have at last been able to increase prices for both chipboard and medium density fibreboard. Whitewood carcassing prices are also on the increase, although the pallet and packing market remains subdued.

Timber production

Demand for Forest Enterprise timber has remained strong in all product sectors. Our annual production of 5.65 million cubic metres met the target we set for the financial year. As in previous years, we have taken every opportunity to sell into higher value markets, to offset poor softwood prices. As a result, we significantly increased hardwood production during the year (140,000 cubic metres, compared with 128,600 cubic metres last year).

Timber promotion

Most people recognise the need to expand the United Kingdom market for wood products. This is essential not only for ensuring the sustainability of the forestry industry, but also to reverse the use of other less environmentally friendly materials in places where wood can be used. The industry needs a significant promotional campaign, and the Forestry Commission has continued to play an important role in discussions on the campaign to be run by United Kingdom based companies and associations representing exporting countries.

Softwood market development

A number of Industry task groups have been working towards the priorities agreed after the 1998 market development study. Scottish Enterprise's announcement of a "development cluster" initiative for forestry and forest products was a significant encouragement that confirmed the importance of this sector to the Scottish economy. The Forestry Commission and all representative organisations in the forestry and forest products industries have been strongly supporting the programme of work leading towards a Cluster Action Plan in 2000. Because the increase in softwood supplies during the next 15-20 years will be in Scotland, it is entirely appropriate that the initial focus should be on Scotland. However, there are many potential benefits to the current and future industry in England and Wales that will be harnessed by the Great Britain wide interests of many of the organisations involved, not least the Forestry Commission.

Windblow in continental Europe

The storms that caused extensive damage to forests in France and across Europe in late December 1999 thankfully had little effect on forests in the United Kingdom. Along with other organisations, we liaised with the French authorities to pass on valuable experience that we gained after the storm of 1987 in southern England. We do not yet know what impact these continental storms will have on the United Kingdom market.

Plant health

This year was another busy one in the field of plant health, with increased imports and a variety of pests across the country.

Import inspections

Imports of sawn softwood were 7.7 per cent higher than the previous year. The total volume landed that was subject to plant health control was 2.8 million cubic metres (compared to 2.6 million cubic metres in 1998-1999), that required 6,950 inspections (compared to 6,900 in 1998-1999).

We continued to focus on solid wooden packing material, mainly because we had earlier found Asian longhorn beetle in consignments of goods from China. Around half of the interceptions this year (a total of 45 compared to 53 in 1998-1999) involved wooden packing material. While the number of incidents involving sawn wood was more than last year, with 14 interventions compared to three in 1998-1999, we are generally pleased at the high level of compliance with our landing requirements.

Ips typographus

Once again this year we set traps in the principal spruce processing plants. These failed to catch any specimens, and there was no evidence of this pest in our permanent monitoring plots.

Because of this, we have decided not to continue trapping at the wood processing plants during the coming year, other than at Shotton and Kronospan. We will, however, continue to observe our 45 permanent monitoring plots, which should provide an early warning of any new conifer pests.

Our programme of pheromone traps at principal ports continued. This increased our chances of detecting the pests in consignments of sawn wood, and also in other cargoes that are not covered by the inspection regulations.

Dunnage

Dunnage (loose wood used to wedge or support a cargo) continues to present a high risk. As well as targeting dunnage arriving with all kinds of imports, we have been concerned at the use of British dunnage, with bark, in our dock and terminal areas. This material is highly attractive to bark beetles and can be brought into the dock and removed inland again with another cargo, presenting a pathway for new pests. After consultation with all port authorities and terminal operators, we announced in December new controls that prohibit the use of any wood with bark in dock areas from 1 April 2000.

Globally, awareness of the risks that dunnage and other wooden packing material presents has been increasing and we have been pressing for the development of an international standard for this material for some time. We are pleased to report that this has now been given a high priority by the European and Mediterranean Plant Protection Organisation, as well as other regional plant protection organisations a working group has been set up, in terms of the Food and Agriculture Organisation's International Plant Protection Convention. We hope that this will lead to a common standard for international action on dunnage.

Asian longhorn beetle

We reported last year that we had invoked the European Union emergency provisions and had put in place landing requirements for non-coniferous wooden packing material originally produced in China (excluding Hong Kong). The European Union's Standing Committee on Plant Health considered the threat posed by the beetle, and our action, and decided to put our controls into action throughout the European Union. These controls came into force in July 1999 and, since then, many member states have reported shipments that have failed to meet the new controls.

We again surveyed trees in all places where there has been evidence of the beetle's activity. No evidence of attack was recorded this year. However, evidence from America shows that early detection of infestation is difficult.

Pine wood nematode

In July 1999, Portugal reported evidence of pine wood nematode in two pine trees. After a survey of all the pines in the infested area, trees showing symptoms of possible infestation were felled and destroyed. The European Commission set up a working group, which included the Forestry Commission, to assist Portugal and to advise the European Union Standing Committee on Plant Health on the action needed. As a result, a European Commission decision was adopted in November 1999 giving legal force to measures designed to ensure that this pest cannot be spread out of the infested area. In addition, all member states will have to carry out their own surveys to provide evidence that pine wood nematode does not occur in their territory. This is essential if our trading partners are to be assured that they are not being put at risk by exports from the European Union.

Termites

We continue to work within a programme led by the Department of the Environment, Transport and the Regions to deal with an outbreak of subterranean termites at the village of Saunton in North Devon. Using our statutory powers, we have prohibited the removal of material from the properties in a designated area. The programme is using a chemical growth regulator to eradicate the termites, and early results give good grounds for optimism.

Dendroctonus micans

Our survey programme, which is monitoring a 10-kilometre wide zone at the limit of the designated control area (Wales and certain counties in the west of England), again showed a slight outward spread of this pest, particularly at the southern end. However, we do not see a need to extend the boundary this year. A total of 275 infested trees were felled and the specific predator, *Rhizophagus grandis*, was released at all new sites where the pest was discovered.

The satellite outbreak in Kent also continues to be treated. By the end of March it was already clear that the number of trees attacked was higher than we expected and we will be reviewing our strategy during the coming months.

Gypsy moth

The Forestry Commission, working with plant health officials from the Ministry of Agriculture, Fisheries and Food (MAFF), is continuing the campaign to eradicate a small infestation of gypsy moth (*Lymantria dispar*) in the London Borough of Redbridge, which includes Epping Forest. Annual surveys of gardens, street trees and trees in Epping Forest, plus pheromone traps designed to attract and capture male moths, show that a very small, but persistent, population exists. The garden and tree surveys failed to detect any signs of egg masses or larvae for the first time last year, but the traps captured 17 moths, slightly up on the previous year's figure of 11 but still less than half of the 1994 total of 35. However, the area in which the moths were caught is larger than in the past and this does give us some cause for concern.



Import inspection fees

We achieved our target of recovering the full cost of import inspections of controlled wood products. In consultation with the trade associations, we have decided that no increase in fees is necessary for the coming year.

Forestry Commission organisation and people

















Senior staff appointments

Senior staff changes during the year included:

-  Sir Michael Strang Steel and Bridget Bloom retired as non-executive Commissioners and were replaced by Andrew Raven and Dr Victoria Edwards respectively. Gareth Wardell also joined the Board as a non-executive Commissioner; and
-  Tim Rollinson took over as Head of Policy and Practice Division and was replaced as Chief Conservator, England by Paul Hill-Tout. Mike Lofthouse was appointed Director South Scotland and was replaced as Director Operations by Ian Forshaw.

Awards

The work of the Commission and its people was again recognised through a number of awards this year:

-  Dr John Gibbs, Head of Pathology Branch, was awarded an OBE.
-  Lindsay Williams, leading wildlife ranger in Canolbarth, and Kerr Robertson, a forest officer on the Isle of Arran, were awarded MBEs.
-  Dr Sam Evans, Mensuration Branch, was elected a Senior Research Fellow of the Department of Biological Sciences, University of Durham.
-  Dr David Lonsdale, Pathology Branch, received the Arboricultural Association's 1999 Annual Award for services to arboriculture. David was also elected a Vice-President of the British Mycological Society for the year 2000.
-  Chris Quine, Jonathan Humphrey and Richard Ferris, Woodland Ecology Branch, were awarded the Institute of Chartered Foresters' 2000 Silvicultural Prize for their paper: *Should the wind disturbance patterns observed in natural forests be mimicked in planted forests in the British uplands?*
-  Kenneth Knott, a forest officer in Fort Augustus, received a personal award from the Millennium Forest for Scotland Trust for his raptor development work.
-  Ross Thomson, trainee mechanical engineer at Creebridge, was named Mechanical Engineering Services' Apprentice of the Year.
-  Galloway FD won the large woods section of the Scottish Woods and Forests Awards and as a result was presented with the John Kennedy Trophy.
-  Fearnoch Forest in Lome FD and Glen Nevis in Lochaber both received a Highly Commended award at the Royal Scottish Forestry Society's Woods and Forests Awards.
-  *Trees for life* achieved the Millennium Marque for sustained work towards native pinewood regeneration in Glen Affric.
-  Mechanical Engineering Services (MES) was presented with an ISO9002 Certificate in recognition of its commitment to customer service.
-  A number of people from the MES Dumfries office won The Scottish Health and Work Scheme Gold Award and the BAA Community Challenge Award for their work in creating new facilities in Mabie Forest for disabled people.
-  Willie Walker, from Tay forest district, won the Organisational Category Trophy at Ideas UK, the national staff ideas competition, for his Portable All-purpose Terrain Trailer (PATT).
-  West Midlands Forest District was awarded the Duke of Cornwall's award by the Royal Forestry Society of England, Wales and Northern Ireland for management of Wyre Forest near Bewdley.
-  West Midlands Forest District received the 'judges' special award trophy and certificate in the Royal Agricultural Society of England's regional woodlands and plantations competition for the management of Cannock Chase.
-  Armitage Shanks sponsored the upgrading of toilet facilities at Cannock Chase and Delamere (Cheshire), both of which received Loo of the Year awards.

Resources

Commission Staffing

The Commission employed 1,575.5 non-industrial staff at 31 March 2000 compared with 1,579.5 at 31 March 1999.

The number of industrial staff employed during the same period fell from 1,597.5 to 1,519.5.

Recruitment

Recruitment Statistics 1999-2000

PAY BAND	TOTAL NO. APPOINTED	NO. OF WOMEN
7	11	7
6	30	24
6a	19	7
6b	10	7
5	33	10
5 (Op)	1	0
4	11	6
3	3	0
2	1	0
Senior Staff Group	3	1

Note: There were three ethnic minorities and two disabled people recruited during the year.

The above pay bands include staff who were previously recorded under the following staff groups:

Pay Band 7	-	Administrative Assistant group, SGB1, Cleaners
Pay Band 6	-	Administrative Support Officers, Typist/Receptionists
Pay Band 6a	-	Recreation Ranger, Wildlife Ranger, Forwarder Operator, Works Supervisor
Pay Band 6B	-	Craftsperson, Research Worker, Visitor Centre Staff
Pay Band 5	-	Executive Officers, Forest Officer III, Business Operations Support Manager, Scientific Officers, Conservation Officer, Asst Computing Officer, GIS Web Officer
Pay Band 4	-	Information Officers, Biodiversity Action Co-ordinator, IT Site Manager, Environmental Education Co-ordinator, HR/IT Trainer, HSO Web Manager
Pay Band 3	-	Financial Accountants and Area Land Agents
Pay Band 2	-	Economic Advisor
Senior Staff Group	-	Non-Executive Commissioner

Shows

The Commission developed its strategy of storytelling at this year's agricultural shows.

The highly successful puppet show, previously used at the Royal Highland Show, toured all three shows this year and drew crowds eager to hear about the tales of Brock the Badger, Patricia the Pine Marten and their friends in the forest.

As well as the puppets, there were children's competitions, art displays and woodland crafts, which drew more than 30,000 visitors to the Commission's stands at the three shows.

Investors In People






A first assessment of how the Forestry Commission measured up to the Investors in People standard showed that the Commission did not meet all aspects of the standard. Assessors found many areas of good practice but on some topics there was a need to spread this good practice throughout the organisation. Assessors encouraged the Commission to reapply for recognition in the near future.

Staff unification

Work continued throughout the year on merging non-industrial and industrial staff into a single staff group with common conditions of service.

Following on from the job evaluation exercise and negotiations with our trade unions we developed a pay model that placed jobs in a common pay band structure. This exercise helped to complete the package for staff, which also identified changes in conditions of service and the most effective way of adopting best practice to support a single staff group.

A single staff group with common conditions of service will deliver to all staff:

-  A common and fair pay system;
-  Equal conditions of service;
-  Staff development opportunities;
-  Pay benefits; and
-  Better pensions.

Throughout the year we produced a series of newsletters to inform staff of progress and held workshops for managers and staff. During February and early March 2000, after we had given details of the package to all staff, we held 64 roadshows throughout Britain to explain the package and discuss the changes with staff. After this, as part of our collective bargaining arrangements, trade union members voted on the package early in the new financial year, and approved the proposals.

Modernising Government

The Modernising Government White Paper (Cmnd 4310), published in March 1999, gave a fresh impetus to the Forestry Commission's work to ensure that it delivers its services in a way that matches the needs of its customers, and takes advantages of technological and other opportunities in the new century.

This has included:

-  Improving links with other government departments, to ensure that forestry policy is "joined up". In England, this has involved redrawing the boundaries of the Conservancies to match those of the Government Offices for the Regions. In Scotland and Wales, new and closer links have been forged with the devolved administrations, particularly in drawing up the forestry strategies for those countries. The Commission also works to ensure the coherence and, where appropriate, consistency of the forestry policies of the three countries;

- 🌲 Giving a fresh impetus to the review of policy on sustainable forest management, to keep Britain in the forefront of international practice. This involves the evaluation of existing policies, and a research-based approach to keeping them up to date;
- 🌲 Ensuring that the Forestry Commission's own forests are managed in a way that meets the wishes of local people. Forest Enterprise published in July 1999 Working with communities in Britain: how to get involved;
- 🌲 Reviewing the range of services that the Commission provides to the public, to identify more services that can be provided electronically, 24 hours a day;
- 🌲 Reviewing the Forestry Commission's service standards, to ensure that we answer letters and telephone calls quickly and helpfully, that we see callers promptly, that we provide clear and straightforward information about our services, and we respond to complaints positively;
- 🌲 Committing the Commission to the fresh target of offering electronic access to all its services to the public by 2005.

As part of the programme of reform of the Civil Service under the Modernising Government banner, the Forestry Commission is committed to:

- 🌲 Strengthening leadership within the organisation, for instance by introducing new training for key managers and introducing 360 degree feedback for more senior staff;
- 🌲 Improving performance management, for instance by extending its existing Performance Management System (PMS) to all staff;
- 🌲 Accelerating the pace of increases in diversity of staff - particularly by ensuring that women, people with disabilities and people from ethnic minorities have equal opportunity to compete on an equal footing with members of groups that are already well represented on the Commission's staff;
- 🌲 Promoting family friendly work practices.

External communications

The Commission recognises the value of good communications. During the year the Commissioners adopted a new communications strategy that includes our Forest Enterprise and Forest Research agencies. The strategy contained a number of principles that will underlie our approach to communications.

In all our communications we aim to be:

Honest, open and accessible

We will be honest and open to gain and keep people's trust and confidence; if we make a mistake or have a problem we will admit it and say what we are doing about it. In line with Open Government policies, we will provide information unless there are clearly justifiable reasons for not doing this. We will also increase our accessibility, to make us easy to find and easy to communicate with.

Active, listening and responsive

We will be active in consulting and in explaining what we are doing and why; we will not just be reactive. We will be listening to other people's views, learning from them, acting on them where we can, or explaining why we can't. We will be responsive in a positive way and in a short time-scale.

Responsible and caring

We will show that we act in the public interest and that we care for people and their views, as well as for trees and the environment.

Communications: The Connect Initiative

We have become increasingly aware of the importance of good internal communications for the conduct of our business. This is a particular challenge for us as we are such a dispersed organisation. Under the Connect Initiative, we have taken a number of steps to improve this through, for example, a relaunched intranet site and a regular news bulletin. The Connect Initiative is designed to bring improvements in the long-term and will lead to a number of important changes during the years to come.

Information technology

We continue to work to ensure that we have in place information technology systems and practices that meet our business needs. We have now completed the review of our strategy for information technology, and this has been put into practice throughout the Forestry Commission. We successfully completed the accreditation process and were accepted into the Government Secure Intranet (GSI) community. We are planning to go live in early 2000-2001. The rollover to the year 2000 passed without incident.

Forestry Training Services

Forestry Training Services (FTS) has a strategic role in delivering training and development opportunities to Forestry Commission staff. We work with others to develop and deliver best practice in the Forestry Commission and to the wider forest industry.

The head office of FTS is based at Ae Training Centre, Ae Village, Dumfries. We currently have six training centres in Scotland, England and Wales. We are reducing the number of our training centres to four in the coming year. This will allow FTS to give more support to its training staff and also give it the flexibility to meet the growing demand for training events delivered on customers' premises.

We have restructured our business during the year and split FTS into two parts: Business Development and Training Operations. The Business Development Manager deals with all new business and agrees the process and cost with the customer. The Training Operations Manager develops and delivers events to meet customers' needs, and ensures that FTS delivers on time and on budget. This process makes FTS more customer focused.

In 1999-2000 FTS:

- 🌲 Developed an event for new managers, called Introduction to Management, which will be delivered in the summer of the coming year;
- 🌲 Trained new reporting officers in feedback and coaching skills to support their staff;
- 🌲 Developed PMS 2000 for delivery to all Forestry Commission staff who are not yet part of the PMS process, to be delivered from June 2000;
- 🌲 Worked in partnership with Newton Rigg College to deliver the pilot stage of the Machine Operators Certification Scheme;
- 🌲 Delivered training guidance to centres, trainers and candidates commissioned by the Forestry and Agriculture Safety and Training Council (FASTCo) that will give trainees the ability to win National or Scottish Vocational Qualifications;
- 🌲 Became an Approved Centre for the delivery and assessment of Vocational Qualifications in Forestry;
- 🌲 Designed a seminar for all Forestry Commission staff as part of the process leading to better internal and external communications;
- 🌲 Worked with the Technical Development Branch to deliver practical workshops that deliver best practice; and
- 🌲 Recruited an additional Human Resources trainer to meet the expected increase in demand for people training resulting from *Modernising Government*.

Health and safety

During the year Forest Enterprise has worked to ensure the success of the Health and Safety Executive (HSE) initiative on managing health and safety in forestry. This work will be developed over the coming year, into a series of on-site events aimed at involving contractors and managers in risk evaluation and putting in place suitable controls. So far, we have carried out health and safety support visits to all our Forest Districts, Forestry Civil Engineering and Mechanical Engineering sites to ensure that they are managing health and safety to a high standard.

The number of reportable accidents (those causing incapacity for more than three days) remains at 2.6 per cent. This compares with figures of 2.6 per cent (1998-1999), 2.7 per cent (1997-1998), 4.7 per cent (1996-1997) and 3.6 per cent (1995-1996).


FASTCo


A report on the activities of FASTCo is at Appendix four.

The Forestry Commission in England

Introduction by Chief Conservator

This is the first report since devolution covering the Forestry Commission's work in England. In 1998, the Government published its Forestry Strategy, *A New Focus for England's Woodlands*. The Strategy provides a forward looking agenda for forestry in England and sets out the Government's priorities and key programmes for achieving this. It provides the foundation for our work and is based on four programmes which reflect the Government's wider social, environmental and economic priorities.

 Forestry for Rural Development

 Forestry for Economic Regeneration

 Forestry for Recreation, Access and Tourism

 Forestry for the Environment and Conservation

Our work during the year has developed on two fronts. Firstly, we have been working with partner organisations and customers to raise the profile of the Strategy and explore opportunities for taking it forward. Establishing the England Forestry Forum, chaired by Elliot Morley MP, has been an important part of this process. The Forum is now examining a range of detailed implementation issues to take the Strategy forward.

Second, we have been developing our existing range of implementation mechanisms to ensure that they are increasingly aligned to the Strategy's priorities. Perhaps the most significant example of this was the introduction in January of a new discretionary approach to applications for new planting under the Woodland Grant Scheme. Although the first round results fall outside the period covered by this report, initial indications are that this new approach will have a valuable role in achieving the sort of targeting we require.

This report summarises our progress with delivering the Strategy during the year.



Paul Hill-Tout

Chief Conservator






Forestry for Rural Development

Our Rural Development programme covers forestry's role in the wider countryside, including its contribution to the rural economy and timber and marketing opportunities. The programme focuses both on the role of new woodlands and on how existing woodlands can be managed to deliver more benefits to local economies, by creating jobs both upstream and downstream of the forest industry.

Key achievements during the year included:

National Woodland Inventory

Reliable and up-to-date information about our woodland resources is crucial. The National Inventory of Woodland and Trees, which will be completed in 2001, provides information on the extent, size and composition of England's woodlands. The inventory will:

-  Produce digital woodland maps;
-  Provide data on forest types and tree species for English counties;
-  Provide timber forecasts;
-  Help the planning and expansion of woodlands; and
-  Help monitoring the sustainability of England's woodlands.

The collection of data for the inventory is carried out in two stages; the main woodland survey of woodland of more than two hectares, and the small woodland and trees survey of woodland of fewer than two hectares, groups of trees and individual trees. During the year we completed mapping and field work in all counties in England apart from Northumberland. We will publish the results of both surveys for all counties and make these available on our website during the next 12 to 18 months.

Woodland Initiatives Networking Day

Since around 1985 the increased role of a wide range of special initiatives and projects has been a significant feature of activity in the forestry sector. These are usually focused on a defined geographic area, work to some form of business plan that has often been prepared to secure funding, and frequently operate through a partnership of complementary organisations, each bringing their own resources and expertise to bear. In many cases they are led by dedicated teams, often supported by a wider forum of stakeholders.

In May we organised the second of our Woodland Initiatives Networking Days, which brought together a range of representatives from many of the different woodland initiatives in England. The day provided an opportunity for people to share their experience and learn from each other. One of the important results of the day was the idea of "gate-keepers": individuals or groups that are prepared to act as a contact point and lead a particular project by making their expertise available to others. People taking part in the networking day agreed to be gate-keepers for wood-heat programmes, branding, wood products co-operatives and hazel coppice projects.

England Rural Development Plan

The England Rural Development Plan, required under the European Union's Rural Development Regulation, was launched by Nick Brown MP, Minister of Agriculture, in February. The plan contains a national overview and separate chapters for the eight government regions in England. The plan anticipates expenditure of £1.6 billion during the seven years it covers. It gives a foundation for the government's future support for agriculture, and involves moving the emphasis away from production support to assisting schemes that boost and broaden the rural economy, encourage environmentally beneficial farming practices and modernise and restructure the farming industry.








The plan includes an increase in spending on forestry through the Woodland Grant Scheme (WGS) and MAFF's Farm Woodland Premium Scheme (FWPS). Spending on these schemes during the seven-year period of the plan totals £139 million and £77 million respectively. This represents an increase of 26 per cent for WGS and 37 per cent for FWPS if the 2000-2001 grant levels had been continued. In addition, the plan proposes to introduce an Energy Crops Scheme (£30 million in the plan period) that will include short rotation coppice. Forestry and its related industries could also benefit from measures that deal with training and from a new Rural Enterprise Scheme. Proposals for funding under these measures, which will operate at the regional level, will be developed during the next year once the Rural Development Plan is approved by the European Commission.

Woodland grants

Tables 1, 2, 3 and 4 show the main figures for the grants paid in 1999-2000 under the Woodland Grant Scheme, both in terms of area and money. We awarded new planting grants on 5,019 hectares, the highest level for six years, while the area on which we paid restocking grants, 1,515 hectares, was at its lowest level for 20 years. We approved management grants for almost 34,000 hectares this year, bringing the total area on which management grants were paid to 118,600 hectares. We spent £1.2 million on Woodland Improvement Grants, an increase of £0.5 million on 1988-1999. We awarded grants with a total value of £18.6 million, an all-time record.

WGS Scoring System

In January, as part of our commitment to adjust Woodland Grant Scheme spending to meet the aims of the England Forestry Strategy, we introduced a discretionary approach to applications for new planting. The new arrangements will also enable us to have more control over our grant spending through introducing two annual closing dates for applications. Applicants for planting new woodlands now have to show that they will deliver the priorities of the strategy by completing a simple form scoring their application against seven criteria:

-  Contribution to rural economies;
-  Contribution to economic regeneration;
-  Creation of new recreational opportunities;
-  Enhancing nature conservation values
-  Creating larger woodlands;
-  Enhancing the landscape; and
-  Involving the community.

We consulted widely before finalising the scores for the criteria, and received around 200 responses from all sectors of the industry as well as feedback at a series of 12 seminars held in our Conservancies. As a result of these responses, we made some adjustments to the scoring form and accompanying guidance note and will review the arrangements at the end of 2000 and consult on them again.

South West Forest Challenge Fund and Locational Supplement

The South West Forest project in north Devon and Cornwall was established in 1997. The forest aims to increase tree cover from 10 per cent to 15 per cent, which will mean planting 15,000 hectares during the next 15 years. Last year we introduced a new support package worth £500,000 a year for three years made up of a Challenge Fund and a Locational Supplement as part of the Woodland Grant Scheme. This addresses one of the main priorities of the England Forestry Strategy by encouraging the creation of larger woodlands. The Challenge Fund operates for planting areas of more than 25 hectares and applicants enter a competitive bid for the funding they need to do the work. The first round of bids was assessed in June by a judging panel, and four bids covering 200 hectares of new planting were accepted in June. The total value of the grants awarded was £550,000.

The South West Forest Locational Supplement provides higher rates of grant for larger areas of planting. Woodlands of fewer than five hectares attract the standard grants available under the Woodland Grant Scheme; areas of between five and 10 hectares attract an additional £600 a hectare; and woodlands of between 10 and 25 hectares attract an additional £1,000 a hectare. During the year, grants were paid for 48 hectares in the five to 10 hectare category and for 129 hectares in the more than 10 hectare category.

Short Rotation Coppice

We paid grants for almost 350 hectares of planting with short rotation coppice (SRC) during the year. More than 80 per cent of the SRC planting that we funded was in the Project Arbre (Yorkshire) area where there is a special supplement available under the Woodland Grant Scheme. Support for SRC will be taken on by MAFF through a new Energy Crops Scheme, which will be introduced once the England Rural Development Plan has been approved. We are working closely with MAFF in developing this scheme which, it is hoped, will encourage the establishment of more than 20,000 hectares of energy crops during the next six years. Most of this is expected to be SRC.




South east England market development

When consultants presented their report in 1998 on market development opportunities in south-east England, there were two other opportunities that showed some promise but that required more investigation. These were for cement bonded particleboard, and for a combined pressure and heat preservative treatment for timber that didn't use chemical additives. In consultation with our partners in the industry, the Forestry Commission funded an evaluation of the two processes. This work is now complete, and we need now to encourage research that will be carried out commercially and in confidence. The high proportion of mixed broad-leaved species in the south-east counts against one of the processes, which is more suitable for softwood.

Woodfuel remains the most viable bulk market opportunity in the south-east. Following our meeting with forestry industry representatives we agreed to examine more detailed, costed proposals from the woodfuel sector. We have done this in what seems to be a rapidly changing market. Woodland Enterprises Limited is seeking funding to develop a combined heat and power plant on its site at Flimwell. Forest Enterprise has commissioned a feasibility study for a woodfuel heating system in the new Bedgebury visitor centre.

Northwoods

Elliot Morley, the Forestry Minister, launched Northwoods (The Upland Northumbria Woodland Initiative) at an event in Northumberland in January. Through a partnership of organisations, Northwoods aims to develop the management of farm woodlands and markets for woodland products in the upland areas of Northumberland and Durham, which are designated under the European Union's Objective 5b programme. The initiative addresses woodland supply chain issues in a structured way:

-  It offers advice and training for landowners on the benefits of woodland management and expansion, and to woodland owners on general silvicultural management and business issues;
-  It increases market awareness by developing a network that extends along the full wood supply chain; and
-  It offers grant-aid for providing access to isolated woods, uneconomic thinning work, establishing native tree seed collection programmes, woodland management and tree planting or maintenance work that is not covered by the Forestry Commission's Woodland Grant Scheme, and for sheep sheds to remove sheep from woodlands where overgrazing prevents natural regeneration.

The project is a two year venture, backed by a number of partners including the Forestry Contracting Association (which is the managing agent), the Countryside Agency, English Nature, Northumberland National Park, Northumberland County Council, Durham County Council, the Timber Growers Association and ourselves. European funding of £500,000 (spread over the life of the project) is matched by resources from the partner organisations.

Economic Benefits of Forestry

During the year we commissioned research into the contribution that forestry makes to rural economies. This research had two aims:

- 🌲 To assess the economic impact of forest establishment, management and harvesting operations; and
- 🌲 To determine the economic impact of downstream processing, including distribution and marketing, of timber produced in England.

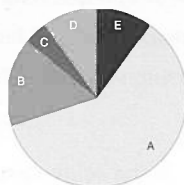
Results from the study showed that the forestry and wood processing industries support an estimated 34,000 full-time jobs in England and that 78 per cent (26,000) of the jobs are in rural areas. The study also showed that the forestry and wood processing sector contributes £380 million to the gross domestic product of the English economy.

Forest Enterprise Timber Production

A total of 1.6 million cubic metres was harvested from Forestry Commission forests, achieving the target volume. The volume sold as standing trees amounted to 1.0 million cubic metres with the balance coming from direct working by Forest Enterprise. Clear felling produced 62% of the volume, the remainder coming from thinnings. Total timber income was £24.6 million. This was a creditable performance given the extremely difficult trading conditions that applied throughout the year.

Main market sectors for Forest Enterprise timber, 1999-2000 (by volume)

A. Standing timber purchases	60%
B. Sawmills	16%
C. Paper and paperboard	4%
D. Panel products	10%
E. Other	10%



Forest Enterprise long-term contracts

Forest Enterprise has always had long-term contracts with small roundwood processors. The use of these contracts, which usually last for more than five years, was recently extended to standing sales and sawlogs. This follows recommendations made in the study carried out by Jaakko Pöyry Consulting (UK) Ltd. on softwood market development, which we reported in our last Annual Report. The contracts provide greater continuity and security for both customers and Forest Enterprise. More specifically they support the consolidation or expansion of our customers' businesses in terms of capital investment and processing or harvesting capacity. They also encourage the development of mutually beneficial trading relationships through helping to reduce operational and administrative costs. This last point drives down the costs of transactions and operations, and is especially important in a period of depressed timber prices. Some 50 per cent of the available annual volume, including small roundwood, from the national forests in England, is now marketed through long-term contracts.

Contracts are awarded by competitive tender that includes a headline price and a supporting written proposal, both of which are scored. The first year of the contract is carried out under the relevant standard period contract to allow a comparison. Submissions include proposals for the format of subsequent years and we encourage novel acceptable solutions to problems in bids. Several long-term contracts are now moving into their second year and new initiatives include price per product payments, self-billing, customer issued conveyance notes and price setting formulae. Our experience so far has been positive and the new arrangements have been generally welcomed by the timber industry.

Forest Enterprise - improving productivity and potential wood quality

Our drive to ensure that future crops produce high quality timber through a focus on silvicultural standards in restocking and new planting, has continued, with a strong emphasis on the whole system from nursery to established plantation. We have made significant improvements, but variable results between Forest Districts show that there is scope for further improvement.

Forestry for Economic Regeneration

The Forestry for Economic Regeneration Programme outlines opportunities for woodlands to play a positive role in strategic land-use planning. These include restoring former industrial land and creating a green setting for future urban and urban fringe development. Through these, there is scope to make a positive contribution to the delivery of the government's broader regeneration policies.

Key achievements during the year included:

Working in partnership

We have been working closely with the Regeneration Directorate of DETR to ensure that our Economic Regeneration Programme's objectives fully integrate with the government's broader regeneration policies. This is an important area that will help to secure a strategic framework for work across government departments. We will continue to develop this and look for opportunities for closer co-operation in the future. We have also strengthened our liaison with the government's regeneration agency, English Partnerships, which can play an important role in helping us to deliver the programme. Through a steering group, we have a number of forums to identify and develop programmes of joint work that will allow us to deliver our objectives.

Setting priorities

With the government's regeneration policies in mind, we have also established four Priority Areas as a way of focusing our resources where there is most need. The four areas are in the north-west, north-east, south Yorkshire and the Midlands. They have been set up to take into account areas of significant population, the DETR's Index of Deprivation, the government's Coalfield Initiative and the location of forestry initiatives that are already delivering social forestry objectives, such as the Community Forests and National Forest. The area to the east of Greater London and north of the Thames is also important to the objectives of the programme and here we are identifying opportunities for land acquisition by Forest Enterprise, in partnership with the Community Forest team. We anticipate that the priority areas will help guide our direction and resources during the next three to five years.

Reviewing planning guidance

The principal source of government guidance on forestry for local authority planners and others is contained in Department of the Environment Circular 36/78 on Trees and Forestry. Much of this advice is now out of date. Now that the England Forestry Strategy is in place, we have agreed with the DETR that the guidance should be brought up to date. The England Forestry Forum has set up a working group to advise on the contents of a revised circular to ensure that it is consistent with existing planning guidance. The forum has also asked the working group to recommend how the revised guidance should be promoted in the planning sector. The report and recommendations of the working group are due to be submitted by the end of 2000.

Work with minerals and waste planning authorities

Research carried out for the Forestry Commission and the National Urban Forestry Unit has already shown that there are 175,000 hectares of potentially plantable former and existing industrial land in England. During the year, we committed more than £100,000 of additional funding to develop these findings in partnership with local authorities and others in priority areas. This work will help identify those brownfield land sites with real potential for conversion to woodland and will form the basis of future programmes and initiatives.

Outside the priority areas, we also want to increase the amount of land that is used for forestry after mineral restoration. During the year we have worked closely with the minerals industry and planning sectors to help them develop a better understanding of the potential offered by forestry. Although achieving a significant increase in the proportion of land that is used for forestry will take time, our work has given encouraging results and there are clear signs of increasing interest in the industry. Articles promoting the potential of forestry have been published in industry magazines during the year, and in October, we presented a keynote paper at the Institute of Quarrying's European Mineral Planning Conference in Harrogate. This has helped to raise significantly the profile of forestry in the minds of an important partner group.

Long-term support

People's concerns about the long-term liabilities of former industrial land are one of the biggest obstacles to the Forestry Commission achieving its plans to increase the proportion of woodlands created and managed on such land. The Forestry Commission's Land Regeneration Unit has developed a wealth of practical experience in acquiring and managing brownfield land for forestry in the last year and this has been fed into a review of the current legal arrangements that we have also started.

Cost effective woodland establishment

The most effective way of guaranteeing long-term support is by setting up high quality woodland. The Forestry Commission is committed to applying the best and most appropriate standards of restoration and aftercare. Building on the extensive work already done, our Forest Research agency and the Land Regeneration Unit have continued to work closely with both the public and private sectors to take this work forward. We are currently looking at the opportunities for developing best practice guidance based on the work so far.

In October 1999, DETR published new guidance on soil forming materials and their use in land reclamation. Our Forest Research agency was centrally involved in developing the guidance, which includes requirements for new woodland. The standard it sets will be used by the Forestry Commission as the benchmark for setting up woodlands on reclaimed land.

England's Community Forests

The Community Forests programme was launched jointly by the Countryside Commission and the Forestry Commission in 1989. The programme, through its family of 12 forests, aims to enhance the countryside around large towns and cities in England, by creating well-wooded landscapes for work, wildlife, recreation and education. To mark the tenth anniversary of the programme, we concluded an Accord with the 12 Community Forests to provide the framework for continuing our work together to meet our shared objectives. The accord was launched at an international conference on Community Forestry held in London in December

Over the past six years we have invested £6 million through our Woodland Grant Scheme (WGS) in the 12 Community Forests, which has led to the creation of more than 2,700 hectares of new woodlands as well as encouraging the management of a substantial area of existing woodlands. In the past year, 465 hectares of new woodlands were set up with support from the WGS. We reviewed our support and at the Community Forestry conference in December announced that we would be providing a premium to the WGS of £600 a hectare for creating new woodlands in the 12 Community Forests. The premium will cost up to £300,000 a year for the next three years.

Land Regeneration Unit

The Land Regeneration Unit has continued to find land for acquisition by Forest Enterprise. Over 200 hectares were acquired during the year in Red Rose and Thames Chase Community Forests and in the National Forest. This joint initiative between Forest Enterprise and the Forestry Commission makes an important contribution to the Economic Regeneration Programme. The unit is currently working with the Forestry Commission Conservancies to develop initiatives in all of the programme priority areas.

Capital Modernisation Fund

During the year, we submitted a bid to the Treasury's Capital Modernisation Fund for the acquisition of 1,000 hectares of land to support the creation of 600 hectares of new woodland together with associated public access and recreational facilities. The bid was based on the Thames Chase (east London), Red Rose and the Mersey (north west England) Community Forests. The new woodlands will help us deliver a wide range of social, environmental and economic objectives. The bid was supported by a range of national and local partners, many of whom will contribute their own funding. It will bring in almost £10 million of new funding towards a total package worth £14 million. The bid was approved by the Treasury in March and we will report progress in future years.



Forestry for Recreation, Access and Tourism

The Forestry for Recreation, Access and Tourism programme is designed to promote more and better quality public access to woodlands. It also includes opportunities for ensuring that woods and forests continue to be used for a wide range of recreational pursuits as well as supporting the tourist industry.




Key achievements during the year included:

Increasing access to woodlands

Every year almost twice as many people visit woodlands in England as visit the coast, and their popularity with walkers, cyclists and horseriders is increasing. As part of its wider review of Access to the Open Countryside, the government asked us for advice on how access to woodlands could be improved. In our report, we proposed a number of measures that would encourage landowners to grant new permanent access rights over their land and to open their woodland gates to walkers in priority areas. Our main recommendations included:

-  The creation of a new power (dedication) to enable landowners to grant access rights to their woods; and
-  The introduction of new incentives to encourage landowners to provide access to woodlands. These would favour priority areas where there is high local demand for access but a shortage of opportunities.

The Commission also manages about 25 per cent (220,000 hectares) of the woodland of England and in order to safeguard and extend access to the public forests in our care, we recommended:

-  Targeting the purchase of existing leasehold woodlands in areas where there is high demand for access and recreation, and buying land to create new woodlands;
-  Improving access and recreation facilities in our existing woodlands; and
-  Applying the proposed power of dedication to all of our freehold woodland.

We also recommended that there should be better public access links between woodlands and other land; this could be achieved by creating new public rights of way. The National and Local Access Forums, which the government is setting up, can help to identify the priorities for increasing access to woodlands.

The government set out its proposals in the Countryside and Rights of Way Bill, which was published in March. The Bill includes the creation of a dedication scheme, as we recommended.

Support for access to woodlands

The Community Woodland Supplement is intended to encourage the creation of new woodlands that will provide access and recreational facilities close to towns and cities that meet the needs of the community. A total of 1,000 hectares was established in 1999-2000, which was an increase on last year's total and brings the total area of new community woodlands in England to more than 6,700 hectares since the scheme was launched in 1992.

Our Walkers Welcome initiative is designed to encourage woodland owners to advertise that access to their woodlands is available, and to welcome people walking in their woods. The Forestry Commission supports this with advice and signs for footpaths. This year, slightly more than 10,000 hectares were approved as Walkers Welcome areas under the Woodland Grant Scheme. This brings the total area of Walkers Welcome since its launch in 1992 to almost 54,000 hectares.

The Woodland Improvement Grant supports work that encourages informal public recreation in existing woodlands. It can be paid to open up woods for recreation or to improve and enhance areas of woodland already used by the public. During the year, we gave grants for 1,700 hectares of woodlands. We also give management grants as a contribution to work designed to encourage public access. Some 44,000 hectares of woodland benefited from schemes that give a high priority to woodlands.

National Forest Locational Supplement

The National Forest Locational Supplement is a new element of the Woodland Grant Scheme, introduced during the year to provide an additional incentive for planting new woodlands in the National Forest in the Midlands. In its first year, the supplement supported 43 hectares of new planting. Unspent funds from the £300,000 allocation for the supplement were used in a significant joint land acquisition with the National Forest Company (NFC). We reviewed the scheme this year, and agreed that it will continue for another two years. The Commission and the NFC are together marketing the scheme, which will also be considered as part of an overall review of the use and promotion of grants and incentives to encourage active participation in the forest's creation.

Information on access opportunities

It is clear that there is considerable potential to improve the range, quality and availability of information about woodlands that are open for access. We are working in partnership with other organisations to improve the information available on access opportunities in woodlands. For example, we gave money to the Forestry Trust to help it produce a series of regional guides to woodland to visit in England. The trust published guides covering our South East England, West Country and Severn, Wye and Avon Conservancies during 1999 and is currently preparing guides covering North West England and the Midlands.

We also believe that there is scope to develop a more consistent approach across different land types, perhaps through the proposed National Access Register. The use of new technologies such as the internet can make the information more widely available than before and can help to keep it up to date. Doing this is one of the recommendations in our advice to the government on increasing access to woodlands.

Forest Education Initiative

During the year we launched our new partnership fund to support the Forest Education Initiative's regional clusters. The fund supports a wide range of projects that enable the clusters to develop links with schools to help young people better understand the importance of trees, woods and forests. New clusters have been formed in Cornwall, Leicestershire and South Yorkshire during the year. We also held a networking day near Bristol, where cluster members met and shared experience, information and ideas.

Access and recreation in the national forests

The national forests, which are managed by Forest Enterprise, are a very important resource. More than 50 million day visits are made each year to these woods and forests, which offer a wide range of opportunities for public enjoyment. The national forests cater for a great variety of different visitors, from those seeking a quiet walk in the countryside or a family picnic to those taking part in or watching more specialised forms of recreation such as orienteering or motor rallying.

Forest Enterprise has been developing an initiative to create substantial new visitor facilities at key locations through a partnership with the private sector. A short list of three potential partners has been selected from the initial 160 enquiries and eight pre-qualification submissions. The first sites, which were chosen because they are near large centres of population, are likely to be at Delamere (Cheshire), Cannock (Staffordshire) and Alice Holt (Surrey and Hampshire).

The Friends of Westonbirt Arboretum have been working on a significant project to build a new Oak Hall to be a reception centre close to the arboretum's main access point. Some 60 oak trees from Silk Wood in the arboretum and 15 others donated by local landowners were used to build the hall, which is due to open next summer. A series of training courses on practical timber frame construction were also held at Westonbirt, which involved more than 100 people associated with the construction process.

Forest Enterprise has introduced new arrangements to allow unfettered access for people on horseback where there are no legal or operational restrictions. In some areas where there is particularly intensive use, or a potential conflict of interest with other users, we have continued to operate a horse riding permit system, but open access is now the policy wherever possible. In June, for example, we opened a 14 mile permissive way marked horse trail at Kershope in Keilder Forest District, in conjunction with the British Horse Society.

Cycling is a hugely popular activity and our forests provide a wealth of cycling opportunities for people of all ages and abilities. In June, Bob McIntosh, Chief Executive of Forest Enterprise, and John Grimshaw, Director of Sustrans, launched an agreement promising co-operation on the development of cycle routes in national forests. Sustrans is a charity working on practical projects such as the National Cycle Network, which encourages people to walk and cycle more. In addition, we launched a new all access trail and mountain bike route, funded by the Friends of Wooler Common, in September in Keilder Forest District.

Special events and open days provide opportunities for the general public to find out more about our work and how they can benefit from our forests. The Chopwell Forest Festival, held in Tyne and Wear in July, attracted more than 4,000 people, and Keilder Forest Festival attracted more than 1,000 people in August. More than 300 people took part in a two hour tour through the forest and saw a range of operations. Dr Cyril Hart, the senior Verderer of the Forest of Dean, opened a festival at Beechenhurst in August that marked the 75th anniversary of the transfer of the forest to the Forestry Commission. The renewed timber adventure play area, which was designed by sculptor Andy Frost, was a popular feature of the day.

Several projects received external funding during the year. The Heritage Lottery Fund gave a grant of £980,000 towards the cost of a development project at the Bedgebury National Pinetum in Kent. This will help build re-located and improved access and visitor facilities, create a new educational centre, form a new lake and make other improvements to the Pinetum. External funding of £200,000 has also been towards the Turrell "skyspace" sculpture, to be located at Cat Cairn in Keilder Forest Park.

Proposed New Forest National Park

In September the government announced that it would designate the New Forest as a National Park. We are working closely with the Countryside Agency, which has overall responsibility for developing the proposal and carrying out related public consultation. As the biggest landowner in the forest, we have a lot to offer, both in terms of our experience and knowledge of land and visitor management issues and also in terms of the strategic contribution we can make to realising the park's full potential for the benefit of local people and visitors.

Forestry for the Environment and Conservation

Our Forestry for the Environment and Conservation programme emphasises the role that woodlands can play in conserving and enhancing our environment, and cultural heritage and in delivering the government's nature conservation, biodiversity and climate change objectives. It also deals with the impact that woodland creation and management may have on other environmental resources and other uses of land.

Key achievements during the year included:

Felling Regulations

We continue to exercise strict controls on felling. We approved 3,172 WGS plans during the year, of which 2,717 contained thinning and felling work covered by licences. Under the arrangements introduced in 1998, for each approval of this kind we now issue a statutory Felling Licence. Some 1,354 of these had restocking conditions attached. Through the WGS, we licensed thinning operations on more than 30,881 hectares of woodland. We also licensed a further 2,168 hectares of clear felling, 1,225 hectares of selective felling and 1,665 hectares of coppicing.

We paid restocking grants covering 1,909 hectares during the year, and approved grants covering 3,945 hectares.

We also issued 1,249 felling licences that were not linked to WGS plans, compared with 1,243 last year. These licences covered 469,344 cubic metres and 72 per cent of this was for unconditional thinning operations.

We received 168 reports of alleged illegal felling from the public and others. After checking our record of approved felling, we investigated a further 34 in more detail. This year we sought nine prosecutions and have 11 serious cases still being resolved. In 15 less serious cases, we issued formal warnings to those involved.





Regulation of Forest Enterprise

Our Conservators continued to receive forest design plans from Forest Enterprise for proposed felling operations. These plans are subject to external consultation in the same way as private sector grant aid and felling licence applications. We have now approved plans covering almost 200,000 hectares (76 per cent) of the Forest Enterprise estate. Our annual monitoring of work carried out under approved plans involved inspecting 119 sample sites; it showed that all conditions had been complied with.

To strengthen its own internal planning systems, Forest Enterprise has begun to prepare Forest District-wide strategic plans, relating to its programmes for implementing the England Forestry Strategy. These provide Forest District Managers with a context and framework for developing their forest design plans.

English Native Woodlands Partnership

During the year we established an English Native Woodlands Partnership to link the Forestry Strategy and the Biodiversity Action Plan. Members of the partnership include national and local government interests, woodland owners and managers and environmental organisations. The partnership's objectives include:

-  Co-ordinating delivery of the Native Woodland Habitat Action Plans (HAP) in England by determining and prioritising targets for action, and monitoring and reporting the progress of their implementation;
-  Advising on funding opportunities;
-  Advising on measures for protecting ancient semi-natural woodlands; and
-  Advising on native woodland research needs.

The partnership met on three occasions during the year, and considered a range of topics including the production of local targets for the HAPs; identifying priorities for lowland broadleaved woods; and the development of HAP workplans. The partnership also advised on the scope and framework for a bid to the Heritage Lottery Fund.

New Native Woodlands in National Parks

We launched the Challenge Fund for New Native Woodlands in National Parks in 1997. A judging panel including representatives of the Association of National Parks Authorities and English Nature assessed the third round of bids this year. The panel accepted 21 bids, which had a combined value of almost £800,000. These will help create, during the next 12 months, more than 250 hectares of new woodlands in the English National Parks, ranging in size from 10 to 80 hectares. The challenge fund, which was intended to operate for three years, has proved extremely successful in helping to meet the government's Biodiversity Action Plan targets. We have therefore decided to extend the fund for a year and we will shortly evaluate the fund and decide whether it should continue beyond 2001.

Protection of ancient semi-natural woodlands

England's ancient semi-natural woodlands are a valuable asset. The England Forestry Forum has set up a working group to examine the threats to ancient semi-natural woodlands, to better understand the protection currently given to them and, if necessary, to give them increased protection. The working group, which is due to report by the end of 2000, will also look at ways of dealing with any threats that they identify.

Planning proposals affecting ancient semi-natural woodlands

The government, in its response to the second annual report of its Panel on Sustainable Development, agreed to add the Forestry Commission to the non-statutory list of organisations that it consults on development proposals that affect ancient semi-natural woodlands or ancient replanted woodlands that are recorded in English Nature's Provisional Inventory of Ancient Woodland. These arrangements allow us to ensure that in relevant cases planning authorities are aware of any interests we may have in woodland affected by development proposals; whether or not the proposed development might

affect the long-term viability of the woodland; and how the impact could be reduced. To support the introduction of the new arrangements, we arranged a series of meetings and seminars with local authorities in England to discuss the practical considerations. We plan to review the operation of the arrangements during 2000-2001.

The Deer Initiative

The Deer Initiative (DI) was established in 1993 and has brought together a range of land management and animal welfare interests to build consensus on the need to manage wild deer in England. The first independent chairman of the initiative was appointed in 1998. During 1999, we employed consultants to work with the initiative to prepare a development strategy and business plan covering a five-year period from April 2000. As a result of this work, the DI members have restructured the partnership, and appointed an Executive Director to run the DI under the direction of the Chairman. The partners are forming a charitable company, limited by guarantee, to carry out some of the initiative's activities. The partners have also agreed to prepare annual operating plans that set targets for both the new company, and the individual partners. We made a grant agreement with the company to help support its work over the next three years. A key aim for the DI will be to establish a network of regional and local deer management groups in priority areas in England. We plan to carry out an independent evaluation of the initiative in 2002.

England Squirrel Forum

The England Squirrel Forum met three times during the year, in London, Newcastle and at Alice Holt Research Station. The forum brings together people from forestry and land management interests, as well as people from nature conservation, wildlife, research, game management and animal welfare organisations. The forum considers matters relating to both red and grey squirrels. The forum discussed other issues during the year, including the European Union's consideration of the future for warfarin, continuing immunocontraception research and priorities for red squirrel conservation.

Long-term Forest Plans

The introduction of grants for long-term Forest Plans was announced in July 1999, after extensive trials and consultation. The first set of applications for plan preparation grants was received in November and work on preparing these plans will begin next year. Grants worth £15 a hectare for the first 200 hectares and £5 a hectare for any remaining area up to a maximum of £15,000 will be paid once we have approved the plans. Some 69 applications covering 23,000 hectares were approved in England. The plans will set out felling and restocking proposals covering a 20 year period, with the first 10 years' work being shown in detail. The plans, which are similar to those used by Forest Enterprise, mean that applicants have to collate information about the sites to be worked and to seek views from interested third parties. Using this information, applicants will draw up comprehensive and effective plans that include their objectives and the views of others.

Forest Enterprise and nature conservation

All 180 Sites of Special Scientific Interest on the national forests managed by Forest Enterprise are covered by plans agreed with English Nature. During the year Forest Enterprise continued to review these and, where necessary, drew up new plans. An extensive survey to assess the extent, and quality, of ancient woodland sites under Forest Enterprise's management has been going on during the year. This will show the extent of the existing substantial programme of restoring plantations on ancient woodland sites and provide a baseline against which future restoration proposals can be measured.

Other significant conservation programmes include the European Union LIFE fund programme of work in the New Forest, which involved heathland restoration, rhododendron clearance and restoration of mires. Forest Enterprise has also secured funding of £585,000 under the LIFE programme to help restore limestone pavement woodlands around Morecambe Bay in the Lake District. There is also a LIFE programme for restoring the Border mires in Keilder Forest District. A key feature of these programmes is that we work with a consortium of partners such as English Nature, county councils, local wildlife trusts and others.

FORESTRY COMMISSION - ENGLAND/GP

Resource Accounts

for the Year ended 31 March 2000



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Foreword

1. Status

The Forestry Commission is the Government Department responsible for forestry separately and distinctly in each country of Great Britain. It implements the Government's forestry policy in England within the framework of legislation (principally the Forestry Acts 1967 and 1979, the Plant Health Act 1967 and the Countryside Act 1968), and is subject to direction by Forestry Ministers.

2. Entities within the Departmental Accounting Boundary

The entities within the boundary were as follows:

The **core-department** (the Forestry Commission) in England, together with a number of reserved and core matters for Great Britain (GB) as a whole;

Forest Research Agency (FR) - which undertakes the major part of the Commission's Forest Research programmes, as well as undertaking technical development, scientific services and survey work. Forest Research became an Executive Agency of the Forestry Commission with effect from 1 April 1997. The relationship between Forest Research, the Forestry Commissioners and Forestry Ministers is described in its Framework Document, which was published in February 1997. For Resource Accounting purposes Forest Research is within the departmental boundary, a separate set of accounts has been produced for the agency and these have been consolidated into the overall Forestry Commission England/GB accounts.

3. Entities outside the Departmental Accounting Boundary

The following entity was outside the boundary:

Forest Enterprise Agency (FE) in England - which manages the Forestry Commission's forests. It became an Executive Agency of the Forestry Commission with effect from 1 April 1996 and has been given Public Corporation status for National Accounting purposes. Accordingly, it is outside the departmental boundary for Resource Accounting purposes and separate accounts have been produced for Forest Enterprise in each country with the net deficit and net worth of FE England being reflected in the Forestry Commission's consolidated accounts for England/GB.

4. Accounts Produced







In addition to these Departmental Resource Accounts and the separate Accounts produced by Forest Enterprise, a Forestry Commission Pension Scheme Account, an Appropriation Account and a Forestry Fund Account (for the period 1 April 1999 to 30 June 1999) have also been produced and audited.

The Forestry Commission's activities are financed from the Grant-in-Aid drawn down from Class X, Vote 3. Until 30 June 1999 its activities were financed through the Forestry Fund, into which the Voted Grant-in-Aid was drawn. The Forestry Fund was abolished from 1 July 1999 as a consequence of devolution. The Forest Enterprise Agency's cash deficit and Forest Research Agency's cash surplus are netted off the Grant-in-Aid.









5. Forestry Commission Mission and Objectives

The *mission* of the Forestry Commission is to protect and expand Britain's forests and woodlands.



The *objectives* of the Forestry Commission are, through its powers and duties set out in the Acts, to:

-  Protect Britain's forests and woodlands;
-  Expand Britain's forest area;
-  Enhance the economic value of our forest resources;
-  Conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands;
-  Develop opportunities for woodland recreation; and
-  Increase public understanding and community participation in forestry.

The Commission is responsible for:

-  Providing support and advice to Ministers;
-  Policy development;
-  European and international liaison;
-  Implementing the Government's forestry policy, including the control of tree felling, providing advice to private woodland owners;
-  Administering the payment of grants for approved planting, restocking and management schemes;
-  Liaising with public bodies and non-government organisations concerned with forestry and the countryside;
-  Commissioning forestry research; and
-  Plant health.





The aims of Forest Research are set out in their Framework Document. They are to provide:

-  A capability to conduct research and development, surveys and related services relevant to the forest industry;
-  Authoritative advice to support the development and implementation of the Government's forestry policy.

The Forestry Commission sets standards for the forest industry as a whole, and monitors the performance of Forest Enterprise in the same areas of operation as those which apply to the private sector.

6. England Forestry Strategy

The Forestry Commission has developed a forestry strategy particular to the needs of England that has the following main aims:

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

7. Review of activities

Forest Research produced a net operating surplus of £646,663 (£878,000 for 1998/99) and Forest Enterprise in England produced a net operating deficit of £6,465,659 on their Income and Expenditure Accounts (surplus of £16.3 million for 1998/99), excluding the notional cost of capital. The respective net surplus and deficit for the year after cost of capital was £126,663 (£382,000 for 1998/99) and £36,629,654 (£17,138,339 for 1998/99).

After adjusting the total surplus for items not involving the movement of cash and for capital expenditure and income, the net cash surplus and deficit netted off the Grant-in-Aid was £1,120,000 (£1,262,000 for 1998/99) and £3,381,011* respectively.

*As figures have not previously been produced either on a devolved basis or on a Resource Accounting basis comparative data is not available.

8. Pension liabilities

The Forestry Commission runs a pension scheme by analogy with the Principal Civil Service Pension Scheme and this is a reserved GB matter and, as noted above, a separate Pension Scheme Statement has been produced. In accordance with Treasury Accounting Directions, the liabilities of the pension scheme are shown in the Pension Schemes Statement, whilst employers and employees contributions are included in the individual accounts of the parts of the organisation, within the relevant countries, under staff costs.

9. Ministers

Prior to Devolution on 1 July 1999, the Forestry Commission reported to the Rt Hon Donald Dewar MP, Secretary of State for Scotland (who took the lead role), the Rt Hon Nick Brown MP, Minister of Agriculture, Fisheries and Food and the Rt Hon Alun Michael MP, Secretary of State for Wales, who acted jointly throughout Great Britain.

After Devolution, in England the Commission reported to the Rt Hon Nick Brown MP, Minister of Agriculture, Fisheries and Food (who took the lead on UK matters) and Elliot Morley MP, Minister for Fisheries and the Countryside who acted in respect of England and those activities that continued to be carried out across Great Britain.

10. Permanent Head of the Department and Forestry Commissioners

The Board of Commissioners includes the Permanent Head of Department, the Director General, and directs the work of the Forestry Commission.

The Board of Commissioners comprises:

Sir Peter Hutchison	<i>Chairman</i>
David Bills	<i>Director General and Deputy Chairman</i>
Bob McIntosh	<i>Chief Executive, Forest Enterprise</i>
Duncan Macniven	<i>Head of Corporate Services</i>

The following named individuals have been non-executive Commissioners during the year:

Ms B. Bloom	Mr J.D. James
Mr T.A. Bruce Jones	Mr A. Raven
Mr J.W. Edmonds	Mr M. Strang Steel
Dr V. Edwards	Mr G. Wardell
Mr H.G. Featherstonhaugh	

11. Appointment of the Permanent Head of the Department and Forestry Commissioners

Non-executive commissioners are appointed for 3-5 year terms of office by Her Majesty the Queen on advice from Ministers, following the procedures of the Commissioner for Public Appointments, including open advertisement.

Executive Commissioners, including the Director General, are appointed by Her Majesty the Queen on the advice of Ministers, for the duration of the tenure of the posts to which they are recruited, through normal Civil Service procedures.

12. Employment Policies

The Forestry Commission and its Agencies are committed to the principle of equality of opportunity for employment and advancement for all eligible people on the basis of their ability, qualifications and fitness for the work. The Commission has systems to ensure that all permanent appointments are made on the basis of fair and open competition and in accordance with the guidance laid down by the Civil Service Commissioners. Further information on the employment of persons with disabilities, the provision of information to, and consultation with, employees, and the promotion of equal opportunities is available on request.

The Forestry Commission's policies in relation to the employment of disabled persons, the provision of information to, and consultation with, employees, and the promotion of equal opportunities, are stated elsewhere in the Annual Report.

13. Supplier Payment Policy

The Forestry Commission observes the principles of the Confederation of British Industry's Prompt Payers Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 1999-2000 indicates that 98.3 per cent of invoices were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts and orders.

14. Year 2000

The Forestry Commission, having carried out a comprehensive review and made necessary changes, experienced only a few trivial and easily corrected problems with IT systems for the year 2000.

15. Auditors

These accounts are prepared in accordance with a direction given by the Treasury in pursuance of Section 5 of the Exchequer and Audit Departments Act 1921. They are audited by the Comptroller and Auditor General.

D J Bills





Accounting Officer

24 January 2001

Statement of Forestry Commissions' and Accounting Officer's Responsibilities

Under Section 5 of the Exchequer and Audit Departments Act 1921 the Treasury has directed the Forestry Commission to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Forestry Commission's state of affairs at the year-end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Forestry Commission is required to:

-  Observe the accounts direction, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
-  Make judgements and estimates on a reasonable basis;
-  State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
-  Prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Forestry Commission will continue in operation.








The responsibilities of the Director General, as Departmental Accounting Officer, for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in '*Government Accounting*'.

Statement on the System of Internal Financial Control

This statement is given in respect of the resource account for the Forestry Commission in England and for reserved GB functions, which incorporates the transactions and net assets of the core department in England and the Forest Research Agency as well as the net deficit and net assets of Forest Enterprise in England. As Accounting Officer for the department, I acknowledge my overall responsibility for ensuring that the Department and Agencies maintain and operate an effective system of internal financial control in connection with the resources concerned. The Chief Executive of each Agency and other self-accounting unit is responsible for the maintenance and operation of the system of internal financial control in that body.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.





The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including the segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by executive managers within the department and agencies. In particular the system includes:

-  Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Board of Forestry Commissioners;
-  Regular reviews by Commissioners of periodic and annual financial reports which indicate financial performance against the forecasts;
-  Setting targets to measure financial and other performance;
-  The preparation of regular financial reports which indicate actual expenditure against the forecasts;
-  Clearly defined capital investment control guidelines;
-  Formal project management disciplines where appropriate;
-  A programme of accounting inspections.

The Forestry Commission has an Internal Audit Unit, which operates to standards defined in the Government Internal Audit Manual. The work of the unit is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Forestry Commission Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in the Forestry Commission. The report includes the HIA's independent opinion on the adequacy and effectiveness of the body's system of internal financial control.

The expansion in the number of accounts required in consequence of devolution to Scotland and Wales together with the introduction of resource accounting has highlighted deficiencies in our system of financial reporting and review. A weakness has also been identified in the manner in which the Commission has monitored VAT expenditure and refunds. Steps will be taken to review and improve the account preparation processes while refinements to our monitoring arrangements have been implemented.

My review of the effectiveness of the system of internal financial control is informed by:

-  The work of the internal auditors;
-  The Audit Committee which oversees the work of the internal auditors;
-  The executive managers within the body who have responsibility for the development and maintenance of the financial control framework; and
-  Comments made by the external auditors in their management letter and other reports.

Implementation of the Turnbull Report

In September 1999, the Institute of Chartered Accountants in England and Wales published the report of the Turnbull Committee '*Internal Control: Guidance for Directors on the Combined Code*'. The effect of the Turnbull report was to extend the existing requirement to provide a statement in respect of financial controls to cover all controls, including financial, operational, compliance and management of risk.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by Treasury.

D J Bills

Accounting Officer

24 January 2001

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

See also Report of the Comptroller and Auditor General on page 43

The Forestry Commission in England/GB

I certify that I have audited the financial statements on pages 44 to 68 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 50, 51, 63 and 64.

Respective responsibilities of the Commission, Accounting Officer and Auditor

As described on page 38 the Commission and Accounting Officer are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Commission and Accounting Officer are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Commission has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 39 and 40 reflects the Commission's compliance with Treasury's guidance '*Corporate governance: statement on the system of internal financial control*'. I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

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


I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conformed to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.


Qualified opinion due to the inability to reconcile recorded incomes and expenditures to cash flows

The Commission's accounts are prepared from a common accounting system covering the whole of the Forestry Commission. The Forestry Commission have been unable to reconcile overall net cash expenditure to total funds received from the UK and Scottish Parliaments. The overall imbalance of £2.0m creates the possibility of misstated levels of income and expenditure in any of the accounts prepared from the common accounting system. At 31 March 2000 the imbalance has been recorded in the accounts of Forestry Commission England/GB.


Opinion

Except for any adjustments that might be required to reconcile cash flows, in my opinion:

 the financial statements give a true and fair view of the state of affairs of the Forestry Commission in England and those functions which it carries out on a Great Britain-wide basis other than net superannuation costs at 31 March 2000 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions made thereunder by the Treasury; and

 in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In respect alone of the limitation on my work arising from the recorded imbalance:

 I have not obtained all the information and explanations that I considered necessary for the purpose of my audit; and

 I was unable to determine whether proper accounting records had been maintained.

John Bourn

Comptroller and Auditor General
26 January 2001

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Report of the Comptroller and Auditor General

Forestry Commission GB/England Forest Enterprise in England

The combination of the implementations of devolution arrangements in Scotland and Wales and the introduction of Resource Accounting has led to the Forestry Commission being directed by the Treasury and by Scottish Ministers to prepare separate Resource Accounts to reflect the Commission's activities in England, Scotland and Wales and also to prepare 3 national accounts for the activities of Forest Enterprise. The Forestry Commission's pension scheme will also prepare separate accounts for the first time in respect of 1999/2000. The number of accounts which the Commission prepare has therefore increased to 11, from 5 in the previous year.

The Forestry Commission operate a central accounting function which maintains a common ledger from which all the financial statements derive. As such for financial reporting purposes, the total net cash required to fund the Commission's activities, as recorded in the various accounts, should equal the net value of payments and receipts as recorded in the Parliamentary Appropriation Accounts. Despite extensive efforts by Commission officials to agree the two balances, an imbalance of £2.0 m exists.

My audit has established that the Forestry Commission have a trial balance which accurately reflects their cash balance and the Forestry Commission inform me that they believe the most likely explanation for the imbalance to be inaccurate recording of internal charges. This creates the possibility of materially misstated levels of income or expenditure or asset balances across one or more of the accounts: a problem which did not arise with the smaller number of accounts formerly prepared.

The Commission recognise that the weaknesses described in the Statement on the System of Internal Financial Control are likely to have contributed to this imbalance and are planning to review their procedures to prevent any recurrence.

As a result of this uncertainty, I have qualified my opinion on the accounts of Forestry Commission GB/England and Forest Enterprise in England for the year ended 31 March 2000. The Auditor General for Wales has similarly qualified his opinions on the accounts of the Forestry Commission Wales and Forest Enterprise in Wales and the auditor appointed by the Auditor General for Scotland has qualified his opinion on the accounts of the Forestry Commission Scotland and Forest Enterprise in Scotland.

John Bourn

Comptroller and Auditor General

26 January 2001

Schedule 1

Forestry Commission - England/GB

Summary of Resource Outturn 1999/2000	Estimate		1999/2000			Outturn		1998/1999
	Gross Expend- iture £000	A in A £000	Net Total £000	Gross Expend- iture £000	A in A £000	Net Total £000	Prior year outturn - Net £000	
Protection and expansion of British woodlands and increasing their value to society and the environment								
Total Resources	-	-	-	142,270	(17,546)	124,724	-	
Non-operating-cost A in A	-	-	-	-	-	-	-	
Net Cash requirement			-			43,193	-	

Reconciliation of Resources

to Cash Requirement	Note	£000	£000
Net Total Resources		-	124,724
Capital:			
Purchase of fixed assets	6	-	258
Non-operating-cost A in A		-	-
Accruals adjustments:			
Non-cash items	5	-	(88,203)
Changes in working capital other than cash	14	-	3,033
Transfer from provision		-	-
Transfer to the consolidated fund		-	-
Excess cash to be CFERd		-	-
Adjustment to reflect departmental under spending on cash		-	-
Other adjustments:			
Payments to Forest Enterprise in England Public Corporation	7	-	3,381
Net cash requirement		-	43,193

Explanation of the variance between Estimate and Outturn:

Resource Budgets were not prepared (or required) for 1999/2000 and accordingly estimate figures (on a resource basis) are not available.

Explanation of the variance between Estimate net cash and requirement and Outturn net cash requirement:

Resource Budgets were not prepared (or required) for 1999/2000 and accordingly estimate figures (on a resource basis) are not available.

1998/99 figures

Resource Accounts were not produced for 1998/99 and therefore comparative figures are not available.

Analysis of income payable to the Consolidated Fund

	1999/00 Forecast		1999/00 Outturn	
	Income £000	Receipts £000	Income £000	Receipts £000
Income for fees not classified as A in A	-	-	-	-
Income from the sale of assets not classified as A in A	-	-	-	-
Total	-	-	-	-

The notes attached form part of these accounts.

Schedule 2

Forestry Commission - England/GB

Operating Cost Statement

for the year ended 31 March 2000

	Note	1999/2000 £000	Unaudited 1998/1999 £000
Administration Costs			
Staff costs	2	17,940	17,231
Other administration costs	3	16,699	4,876
Gross Administration Costs		34,639	22,107
Operating income		(11,077)	(321)
Administration Income		(11,077)	(321)
Net Administration Costs		23,562	21,786
Programme Costs			
Request for Resources 1			
Expenditure	4A	107,631	40,945
Less income	4B	(6,469)	(14,645)
Net Programme Costs		101,162	26,301
Net Operating Cost		124,724	48,087
Net Resource Outturn		124,724	48,087

Statement of Recognised Gains and Losses

for the year ended 31 March 2000

	1999/2000 £000	1998/1999 £000
Net gain on revaluation of tangible fixed assets - Forest Research	148	1,959
Net gain on revaluation of tangible fixed assets - Forestry Commission	-	75
Total	148	2,034

There have been no discontinued operations during the year.

The notes attached form part of these accounts.

Schedule 3

Forestry Commission - England/GB

Balance Sheet

as at 31 March 2000

	Note	1999/2000 £000	Unaudited 1998/1999 £000
Fixed Assets			
Tangible fixed assets	6	11,488	12,113
Investments	7	476,318	529,149
Total		487,806	541,262
Current Assets			
Stocks	10	411	266
Debtors	11	4,615	5,235
Cash at bank and in hand	12	(702)	(12)
Total		4,324	5,489
Creditors (amounts falling due within 12 months)			
	13A	(3,499)	(5,651)
Net current assets		825	(162)
Total assets less current liabilities			
		488,631	541,100
Creditors (amounts falling due after more than one year)			
	13B	(2,941)	(4,297)
Net current assets		485,690	536,803
Taxpayers equity			
General fund	19	483,101	534,362
Revaluation reserve	15	2,589	2,441
Total		485,690	536,803

The notes attached form part of these accounts.

D J Bills

24 January 2001

Schedule 4

Forestry Commission - England/GB

Cash Flow Statement

for the year ended 31 March 2000

	Note	1999/2000 £000
Net cash outflow from operating activities		(39,554)
Payments to Forest Enterprise	7	(3,381)
Capital expenditure and financial investment	6	(258)
Excess Working Balance payable to Consolidated Fund		–
Payments from Consolidated Fund		42,503
Increase/(decrease) in cash in the period		(690)
Reconciliation of Operating Cost to Operating Cash Flows		
Net Operating Cost		(124,724)
Adjustment for non-cash transactions	5	88,203
Adjustments for movements in Working Capital other than cash	14	(3,033)
Adjustment for transfer from provision		–
Net Cash Flow from Operating Activities		(39,554)
Analysis of capital expenditure and financial investment		
Purchase of Fixed Assets	6	(648)
Proceeds of disposal of fixed assets		390
		(258)
Loans to other bodies		–
Net cash outflow from investing activities		(258)
Analysis of financing		
From Consolidated Fund		42,503
Decrease in cash		690
Net Cash Requirement		43,193

The notes attached form part of these accounts.

Schedule 5

Forestry Commission - England

Resources by Department Aim and Objectives

for the year ended 31 March 2000

		Gross expenditure	1999/2000 Income	Net expenditure
	Note	£000	£000	£000
Objectives				
Protect Britain's forests and woodlands	24	52,036	–	52,036
Expand Britain's forest area	24	–	–	–
Enhance the economic value of our forest resources	24	8,027	(3,249)	4,778
Conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands	24	22,935	(3,979)	18,956
Develop opportunities for woodland recreation	24	26,159	(2,092)	24,067
Increase public understanding and community participation in forestry	24	9,362	(769)	8,593
Net operating costs		118,519	(10,089)	108,430

The allocation of costs to objectives by the core-department is based on the view that the first two objectives are achieved through investment in the remaining four objectives. The allocation of the costs of holding Forest Enterprise in Scotland includes expenditure directly on objective 1.

The notes attached form part of these accounts.

Schedule 5

Forestry Commission - GB

Resources by Department Aim and Objectives

for the year ended 31 March 2000

	Note	Gross expenditure £000	1999/2000 Income £000	Net expenditure £000
Objectives				
Protect Britain's forests and woodlands	23	7,687	(2,413)	5,274
Expand Britain's forest area	23	3,792	(1,191)	2,601
Enhance the economic value of our forest resources	23	7,135	(2,240)	4,895
Conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands	23	3,410	(1,071)	2,339
Develop opportunities for woodland recreation	23	752	(236)	516
Increase public understanding and community participation in forestry	23	975	(306)	669
Net operating costs		23,751	(7,457)	16,294

The notes attached form part of these accounts.

Forestry Commission England/GB - Notes to the Resource Accounts

Note 1. Statement of Accounting Policies

a. Form of Accounts

In accordance with Section 5(1) of the Exchequer and Audit Departments Act 1921, the accounts are drawn up in a format agreed and approved by Treasury. They are prepared in accordance with the Resource Accounting Manual on the accruals basis under the historical cost convention modified by the revaluation of fixed assets.

They are audited by the Comptroller and Auditor General

b. Basis of Consolidation

Forest Enterprise in England has been designated a Public Corporation for national accounts purposes and as such is outside the boundary for Resource Accounting purposes.

These accounts comprise a consolidation of the core-department and its on-vote agency Forest Research and the trading loss and net worth of Forest Enterprise in England.

Forest Research publishes its own annual report and accounts. Forest Enterprise publishes its own annual report and the annual accounts for Forest Enterprise in England are published in the Forestry Commission Annual Report and Accounts for England and Great Britain.

c. Tangible Fixed Assets

Ownership

Legal ownership of all assets is vested in the Forestry Minister.

Valuation of Assets

Land and buildings are revalued every three years by professionally qualified staff employed by the Forestry Commission. Office equipment is revalued every three years by Forestry Commission administrative staff. Between revaluations, tangible fixed asset values are updated annually using a general price index.

Revaluation surpluses and deficits are taken to the Revaluation Reserve, unless deficits exceed the Cumulative Revaluation Reserve balance, when they are charged to the Operating Cost Statement.

d. Investments

Forest Enterprise in England has been designated a Public Corporation for national accounts purposes and as such is outside the boundary for Resource Accounting purposes. Accordingly it is treated as an investment and is shown in the Balance Sheet at the value of the net assets of the Agency at the end of the financial year.

e. Depreciation

Depreciation is provided on all tangible fixed assets - except land - at rates calculated to write off the valuation, less estimated residual value, of each asset evenly over its expected useful life. Estimated useful economic lives used for these calculations are:

Buildings	-	20 to 80 years
Research and office equipment	-	2 to 20 years

f. Furniture

Although items of furniture, if treated singly, would fall below the capitalisation threshold, collectively they represent a significant asset and accordingly they have been pooled. The useful economic life of the pool is 10 years and on average the assets were estimated to be half way through this life as at 31 March 2000.

g. Planting grant co-financing from the European Union

Contributions are received from the European Agricultural Guidance and Guarantee Fund toward eligible grants for woodlands in the private sector under the Forestry Action Programme. If grants are subsequently recovered because of failure to fulfil the conditions of the Woodland Grant Scheme, the amount of co-financing that was received may be repaid to the EU.

h. Commitments to pay planting and management grants

Following approval of a management plan for planting proposals, the Forestry Commission undertakes to pay planting grants in three instalments. At 31 March 2000, the Forestry Commission was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £30 million (1998/1999 £39 million).

Grants for the management of existing woodlands are payable annually in arrears during the five-year currency of an approved plan, so long as specific objectives and age criteria are met. Commitments to future payments in respect of approved plans amounted to £20 million at 31 March 2000 (£24 million in 1998/1999).

i. Corporation Tax

The Forestry Commission is not subject to corporation tax.

j. Provision for bad and doubtful debts

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

k. Forestry Commission Pension and Compensation schemes

Present and past employees are covered by the provisions of the Forestry Commission Pension scheme which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the Scheme. The Commission meets the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the Pension scheme.

The Forestry Commission Compensation Scheme, which is also administered by the Forestry Commission, provides a range of compensation benefits for employees who leave service before their normal retirement age under an early retirement scheme. For staff leaving on or prior to 31 March 1999, the future liabilities for monthly 'compensation' payments are shown in the Forestry Commission accounts for England and Great Britain. For staff leaving on or after 1 April 1999, the future liabilities for monthly 'compensation' payments are shown in the Forestry Commission accounts for the country in which the officer was serving at the time they took early retirement.

l. Cost of Capital Charges

Charges, reflecting the cost of capital utilised by the Commission in Scotland have been included under Administration Costs in the Operating Cost Statement. The charge is calculated at the Government's standard rate of 6 per cent in real terms on all assets less liabilities. The cost of capital charge for the Commission's holding of Forest Enterprise in England is included under Programme Expenditure and is calculated on the same basis.

Note 2. Staff numbers and costs**a. Number of employees:**

The average number of staff employed by the Commission in England during 1999/2000 was 160 whole time equivalent non-industrial staff. The equivalent figure for Forest Research was 206 non-industrial and 79 industrial staff.

A vote to unify the workforce and remove the distinction between industrial and non-industrial staff was pending at 31 March. The subsequent vote was positive and action is being taken to complete integration during 2000/2001.

b. Staff costs

These amounted to £10,720,669 for the Commission's staff and £7,218,531 for Forest Research staff and comprised.

	Forestry Commission	Forest Research
	£000	£000
Wages and salaries	8,680	5,860
Social security costs	633	427
Employer's superannuation costs	1,408	932
Total	10,721	7,219

Employer's Superannuation Contributions

Staff are members of the Forestry Commission Pension Scheme which is a defined benefit pension scheme.

Employer's superannuation contributions, calculated as percentages of pensionable pay, are paid to the Forestry Commission Pension Scheme and are included in the Operating Cost Statement. The employer's contribution rates were set (by the Forestry Commission following advice from the Government Actuary's Department) at 15 per cent for industrials and from 15 to 22 per cent for non-industrials according to grade. Actual pension payments are met by the Forestry Commission from the Grant-in-Aid provided by Parliament. The receipts and payments of the pension scheme, its status and how it operates, and the valuation of unfunded past service liabilities, are shown in the Forestry Commission Pension Scheme Accounts.

Benefits in kind

Benefits in kind are provided under the following schemes:

- i. Advances of salary for house purchase;
- ii. Advances of salary for purchase of season tickets and cycles;
- iii. Car provision for employees scheme.

Each scheme is subject to conditions and financial limits.

The advances of salary for house purchase scheme had 17 loans with an outstanding balance of £2,500 or more to individual members of staff at 31 March 2000. The total value of these loans was £108,035.

In addition, 23 loans with an outstanding balance of £2,500 or more to individual members of staff in specialist service units and Head Office were outstanding at 31 March 2000. The total value of these loans was £180,800. For accounting purposes the number and value of these loans is spread over the various Forestry reporting entities on an agreed basis.

c. Board of Commissioners

The remuneration of the Forestry Commissioners, excluding the Forest Enterprise Chief Executive, whose remuneration is in the Agency's accounts, is included in these accounts. The total remuneration of the Commissioners excluding pension contributions, including the Forest Enterprise Chief Executive comprises:

	1999/2000	1998/1999
	£000	£000
Chairman	42,028	40,487
Highest paid Commissioner	102,418	99,978
Other Commissioners	176,959	174,661
Total emoluments of Commissioners	321,405	315,126
Travel and subsistence of Commissioners	45,366	20,480

The Director General received total remuneration of £102,418 in 1999/2000 (1998/99: £99,978), including a bonus of £9,311 (1998/99: £8,996). The Director General is on a fixed term contract which expires in December 2003, with the option to renew for another four years. He is an ordinary member of the Forestry Commission Pension Scheme.

The emoluments of the other Commissioners fell within the following ranges:

	1999/2000	1998/1999
	No	No
0-5,000	5	1
5,000-10,000	4	6
40,000-44,999	1	1
60,000-64,999	1	2
65,000-69,999	1	-

Pension benefits are provided through the Forestry Commission Pension Scheme which is run by analogy with the Principal Civil Service Pension Scheme. The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to 3 years pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings for the provision of widows' and children's benefits. Pensions increase in payment in line with the Retail Price Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Disclosures relating to members of the Management Board have been restricted in accordance with the Data Protection Act 1998.

Note 3. Other administrative costs

These amounted to £15,204,830 for the Commission and £1,494,000 for Forest Research and comprised:

	Forestry Commission	Forest Research
	£000	£000
Travel and subsistence	1,435	421
Other expenses	12,884	1,073
Sub-total	14,319	1,494
Non cash costs		
Cost of capital	123	*
Permanent diminution in value of assets	143	-
Depreciation	656	*
Gains on disposal of assets	(36)	-
Sub-total	886	-
Total	15,205	1,494

Other expenses included auditor's remuneration of £20,460 for the Forestry Commission (the total fee was apportioned to countries on the same basis as other central costs) and £12,057 for Forest Research.

* included in Programme expenditure over.

Note 4. Programme Expenditure and Income**a. Programme Expenditure**

	1999/2000	Unaudited 1998/1999
	£000	£000
Grants paid to private woodland owners	17,426	20,234
Forest Research materials and services	2,230	2,176
Forestry Commission external research	658	557
Sub-total	20,314	22,967
Non cash costs of holding Forest Enterprise		
Forest Enterprise Operating deficit/(surplus)	6,466	(16,314)
Permanent diminution in value	49,746	-
Cost of capital to FC for holding in Forest Enterprise	30,164	33,452
Sub-total	86,376	17,138
Forest Research non cash		
Cost of capital	520	496
Depreciation	421	344
Sub-total	941	840
Total	107,631	40,945

b. Programme Income

This comprised of:

	1999/2000	Unaudited 1998/1999
	£000	£000
Planting grant co-financing from EU	3,759	13,084
Sundry income	2,710	1,561
Total	6,469	14,645

Note 5. Non cash costs

Non cash costs of £88,203,000 have been included under Administrative Costs and Programme Costs:

	1999/2000
	£000
Administration costs	886
Programme costs	87,317
Total	88,203

Note 6. Fixed Assets

Tangible Fixed Assets	Land and Buildings	Machinery, Plant and Equipment	Total
Valuation:	£000	£000	£000
At 1 April 1999	9,120	8,813	17,933
Additions	26	775	801
Disposals and transfers	(144)	(112)	(256)
Revaluation to current prices	205	(408)	(203)
At 31 March 2000	9,207	9,068	18,275
Depreciation:			
At 1 April 1999	–	5,820	5,820
Provided during year	175	902	1,077
Disposals and transfers	–	97	97
Revaluation to current prices	–	(207)	(207)
At 31 March 2000	175	6,612	6,787
Net Book Value:			
31 March 2000	9,032	2,456	11,488
1 April 1999	9,120	2,993	12,113

The assets described above were all professionally revalued at 31 March 1999 and their values were updated by index as at 31 March 2000.

Gravetye, a small estate in Kent valued at £978,910, has for the first time been included in the accounts of the Forestry Commission. It is a donated asset which has been owned by the Commission for many years but has previously been included in the accounts of Forest Enterprise, who continue to manage the estate. It is included in both the opening and closing net book values.

Fixed asset additions consisted of two elements:

Purchases of fixed assets; and
Furniture - creation of a furniture pool.

Purchase of fixed assets

Fixed asset purchases totalled £615,000.

Furniture - creation of asset pool

In accordance with the requirements of the Resource Accounting Manual a pool of assets has been created. This was deemed to have been added on 31 March 2000 at a net book value of £186,886, of which cash purchases in-year amounted to £32,706 and the balance of £154,180 was a credit to the General Fund.

Note 7. Investments

The Investments figure of £476,317,550 (£529,148,957 for 1998/99) represents the Net Book Value of Forest Enterprise in England, which is a Public Corporation and as such, is beyond the departmental boundary for Resource Accounting purposes. The fall in the net book value of £52,831,407 consists of:

	1999/2000
	£000
In year movement on General Fund	(3,085)
Revaluation of Forest Enterprise fixed assets (taken to Operating Cost Statement)	(49,746)
Total	(52,831)

The downward revaluation of fixed assets is regarded as a permanent diminution in value and as such has been charged to the Operating Cost Statement.

Forest Enterprise Cash Deficit

Payments of £3,381,011 were made to Forest Enterprise Agency from Grant-in-Aid, this being the difference between the operating deficit £6,465,659 (excluding cost of capital) and non-cash costs of £3,084,648.

Note 8. Cost of capital

The Commission is required to bear a cost of capital charge of 6 per cent of its assets including those held by Forest Research agency. Notional cost of capital based on average net assets employed in 1999/2000 amounted to £122,504 (£235,709 for 1998/99) for the Forestry Commission and £520,000 for Forest Research (£496,000 for 1998/99).

The investment in Forest Enterprise in England shown in Note 7 attracts a further cost of capital charge.

Note 9. Operating leases

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

	1999/2000	Unaudited 1998/1999
	£000	£000
Building leases expiring within:		
One year	–	10
Two to five years	27	71
More than five years	915	952
Total	942	1,033

Note 10. Stocks and work in progress

	1999/2000	Unaudited 1998/1999
	£000	£000
Stocks	353	266
Raw materials and Work In Progress	58	–
Total	411	266

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

Note 11. Debtors

	1999/2000	Unaudited 1998/1999
	£000	£000
Trade debtors	2,229	4,631
Other debtors	353	604
Cash ledger reconciliation imbalance transferred to suspense	2,033	–
Total	4,615	5,235

Other debtors includes amounts falling due after more than one year of £82,000 (£154,000 as at 31 March 1999).

Note 12. Cash at bank and in hand

	1999/2000	Unaudited 1998/1999
	£000	£000
Balance with Office of Paymaster General	(703)	(13)
Cash at commercial banks and in hand	1	1
Total	(702)	(12)

All cash balances except petty cash are held by the Forestry Commission England/GB.

Note 13. Creditors

a) Amounts falling due within one year	1999/2000	Unaudited 1998/1999
	£000	£000
Payments received on account	45	49
Trade creditors	261	1,544
Provision for Compensation payments	1,371	1,723
Other creditors including taxation and social security costs	1,822	2,335
Total	3,499	5,651

b) Amounts falling due after more than one year

This comprised of provisions for Compensation payments of £2,940,815 (1998/99: £4,296,881).

Note 14. Movements in Working Capital other than Cash

These comprised:	1999/2000
	£000
Stocks	(145)
Debtors	620
Creditors: amounts falling due within one year	(2,152)
amounts falling due after more than one year	(1,356)
Provision for bad debts	-
Total	(3,033)

Note 15. Revaluation Reserve

	1999/2000
	£000
Cumulative Revaluation Reserve brought forward	2,441
Revaluation surplus for the year end 31 March 2000	
Reduction in gross book value	(203)
Reduction in cumulative depreciation	207
Permanent diminution in value charged to the Operating Cost Statement	144
Cumulative Revaluation Reserve carried forward	2,589

Note 16. Provision for Liabilities and Charges

There were no contingent liabilities at 31 March 2000 for damages caused to other persons' property or for compensation for personal injury to employees (£nil as at 31 March 1999).

Note 17. Related Party Transactions

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

In addition, the Forestry Commission has had various material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the Intervention Board and Paymaster General's Office, the Department for Environment, Transport and the Regions, the Department of Trade and Industry and the Ministry of Agriculture, Fisheries and Food.

In the year to 31 March 2000, Forest Enterprise entered into the following material transactions involving the following non-executive Commissioners of the Forestry Commission:

Mr Tom Bruce Jones is a director of James Jones & Sons Ltd which purchased approximately 226,000 cubic metres of timber at £3,837,000 from Forest Enterprise; and

Sir Michael Strang Steel is non-executive chairman of Alba Trees plc. which purchased seed and plants at £7,000 from Forest Enterprise and sold seed and plants at £52,800 to Forest Enterprise.

Note 18. Reconciliation of net operating cost to control total and net resource outturn

	1999/2000
	£000
Net operating deficit for the year	124,724
Remove non-supply expenditure	-
Add non-supply income including CFERs	-
Prior period adjustments in the current year	-
Add net deficit on revaluations	-
Net resource outturn	124,724

Note 19. Reconciliation of net operating cost to changes in General Fund

	1999/2000
	£000
Net operating deficit for the year	124,724
Net Parliamentary funding	(42,503)
Cost of capital	(30,807)
Creation of pooled asset value of furniture and equipment, excluding cash purchases in-year	(153)
Net decrease in General Fund	51,261
General fund as at 31 March 1999	534,362
General fund as at 31 March 2000	483,101

The Gravetye Estate detailed in Note 6 is included in the General Fund balance at both 31 March 1999 and 31 March 2000.

Note 20. Liabilities for compensation payments

In accordance with paragraph 15.7.9 of the Resource Accounting Manual, the future liabilities for payments to staff who took early retirement, until they reach 60, are shown on the main Forestry Commission accounts rather than the Pension Scheme accounts. They comprised:

	1999/2000	Unaudited 1998/1999
	£000	£000
Compensation payments:		
Balance at 1 April 1999	5,998	7,931
Utilised in year	(1,702)	(1,933)
Sub-total	4,296	5,998
Adjustment to provision for staff leaving during the year	15	Not available
Balance at 31 March 2000	4,311	5,998

This figure represents the (discounted) liability for payments to early retirees until they reach the normal retirement age, a discount rate of 6 per cent has been used.

Note 21. Compensation benefits payable

Staff who take early retirement (before reaching age 60), may be entitled to compensation payments. The amounts paid in compensation payments (lump sums and monthly payments) are shown for information purposes only. They were met from the Grant-in-Aid drawn down by the Forestry Commission.

	1999/2000	Unaudited 1998/1999
	£000	£000
Annual compensation payments	1,723	1,933
Lump-sum payments	417	1,049
Total	2,140	2,982

Note 22. Apportionment of costs in Schedule 5

As well as the direct costs incurred by the National Office, indirect costs have been allocated by individual cost centres.

An analysis was undertaken to determine the costs which are attributable to each of the objectives that are being pursued by the core-department. In a multi-benefit forestry strategy where many activities will contribute to more than one objective, the allocation of costs has been undertaken by senior staff in each area based on a balanced judgement of each activity.

The net costs (operating deficit, downward revaluation of the Forest Estate plus cost of capital) to the Forestry Commission of holding Forest Enterprise Agency have been included in Schedule 5.

Costs are identified in the Forest Enterprise Income and Expenditure account by activity and these activities have been allocated to objectives.

The operating deficit has been apportioned to the objectives in accordance with the expenditure levels in each activity as shown in the Forest Enterprise Income and Expenditure accounts. However, objective 2 "Expanding Britain's forests and woodlands" does not appear in the Income and Expenditure account (it is treated as a capital cost, an addition to the fixed assets in the Balance Sheet). Accordingly, no costs have been apportioned to this objective in England.

Note 23. Amounts apportioned to each objective - core GB

As a result of the analysis outlined above the net programme expenditure on each of the objectives was:

	1999/2000
	£000
Protect Britain's forests and woodlands	5,042
Expand Britain's forest area	2,306
Enhance the economic value of forest resources	4,318
Conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands	2,061
Develop opportunities for woodland recreation	458
Increase public understanding and community participation in forestry	591
Total	14,776

Note 24. Amounts apportioned to each objective - England

As a result of the analysis outlined above the net programme expenditure on each of the objectives was:

	1999/2000
	£000
Protect Britain's forests and woodlands	52,036
Expand Britain's forest area	-
Enhance the economic value of forest resources	(2,320)
Conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands	10,262
Develop opportunities for woodland recreation	19,497
Increase public understanding and community participation in forestry	6,912
Total	86,387

Balance Sheet - England/GB - core department only

as at 31 March 2000

	Notes	1999/2000 £000	Unaudited 1998/1999 £000
Fixed Assets			
Tangible Fixed Assets	3	3,328	3,938
Investments	4	476,318	529,149
Total		479,646	533,087
Current Assets			
Stocks	7	301	210
Debtors	8	4,126	4,385
Cash at banks and in hand	9	(703)	(13)
		3,724	4,582
Creditors (amounts falling due within 12 months)	10	(3,247)	(5,403)
Net current assets		477	(821)
Total assets less current liabilities		480,123	532,266
Creditors (amounts falling due after more than one year)		(2,941)	(4,297)
Net current assets		477,182	527,969
Taxpayers equity			
General Fund	11	477,182	527,969
Revaluation Reserve		-	-
Total		477,182	527,969

The notes attached form part of these accounts.

D J Bills

24 January 2001

Notes to the Resource Accounts - England/GB core-department Balance Sheet 1999/2000

Note 1. Statement of Accounting Policies

a. Form of Accounts

In accordance with Section 5(1) of the Exchequer and Audit Departments Act 1921, the accounts are drawn up in a format agreed and approved by Treasury. They are prepared in accordance with the Resource Accounting Manual on the accruals basis under the historical cost convention modified by the revaluation of fixed assets.

They are audited by the Comptroller and Auditor General.

b. Basis of Consolidation

Forest Enterprise in England has been designated a Public Corporation for national accounts purposes and as such is outside the boundary for Resource Accounting purposes.

These accounts comprise the core-department and the trading loss and net worth of Forest Enterprise.

Forest Enterprise publishes its own annual report and the annual accounts for Forest Enterprise in England are published in the Forestry Commission Annual Report and Accounts for England and Great Britain.

c. Tangible Fixed assets

Ownership

Legal ownership of all assets is vested in the Forestry Minister.

Valuation of Assets

Land and buildings are revalued every three years by professionally qualified staff employed by the Forestry Commission. Office equipment is revalued every three years by Forestry Commission administrative staff. Between revaluations, tangible fixed asset values are updated annually using a general price index.

Revaluation surpluses and deficits are taken to the Revaluation Reserve, unless deficits exceed the Cumulative Revaluation Reserve balance, when they are charged to the Operating Cost Statement.

d. Investments

Forest Enterprise in England has been designated a Public Corporation for national accounts purposes and as such is outside the boundary for Resource Accounting purposes. Accordingly it is treated as an investment and is shown in the Balance Sheet at the value of the net assets of the Agency at the end of the financial year.

e. Depreciation

Depreciation is provided on all tangible fixed assets - except land - at rates calculated to write off the valuation, less estimated residual value, of each asset evenly over its expected useful life. Estimated useful economic lives used for these calculations are:

Buildings	-	20 to 80 years
Research and office equipment	-	2 to 20 years

f. Furniture

Although items of furniture, if treated singly, would fall below the capitalisation threshold, collectively they represent a significant asset and accordingly they have been pooled. The useful economic life of the pool is 10 years and on average the assets were estimated to be half way through this life as at 31 March 2000.

g. Provision for bad and doubtful debts

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

h. Forestry Commission Pension and Compensation schemes

Present and past employees are covered by the provisions of the Forestry Commission Pension scheme which is non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the Scheme. The Commission meets the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate Scheme Statement for the Pension scheme.

The Forestry Commission Compensation Scheme, which is also administered by the Forestry Commission, provides a range of compensation benefits for employees who leave service before their normal retirement age under an early retirement scheme. For staff leaving on or prior to 31 March 1999, the future liabilities for monthly "compensation" payments are shown in the Forestry Commission accounts for England and Great Britain. For staff leaving on or after 1 April 1999, the future liabilities for monthly "compensation" payments are shown in the Forestry Commission accounts for the country in which the officer was serving at the time they took early retirement.

i. Cost of Capital Charges

Charges, reflecting the cost of capital utilised by the Commission in Scotland have been included under Administration Costs in the Operating Cost Statement. The charge is calculated at the Government's standard rate of 6 per cent in real terms on all assets less liabilities. The cost of capital charge for the Commission's holding of Forest Enterprise in Scotland is included under Programme Expenditure and is calculated on the same basis.

Note 2. Staff numbers

Number of employees:

The average number of employees during the year was 160 (1998/99 - 158).

Note 3. Fixed Assets

Tangible Fixed Assets

	Land and Buildings	Machinery, Plant and Equipment	Total
Valuation:	£000	£000	£000
At 1 April 1999	1,989	4,934	6,923
Additions	–	544	544
Disposals and transfers	(144)	(118)	(262)
Revaluation to current prices	35	(365)	(330)
At 31 March 2000	1,880	4,995	6,875
Depreciation:			
At 1 April 1999	–	2,985	2,985
Provided during year	25	631	656
Disposals and transfers	–	92	92
Revaluation to current prices	–	(186)	(186)
At 31 March 2000	25	3,522	3,547
Net Book Value:			
At 31 March 2000	1,855	1,473	3,328
At 1 April 1999	1,989	1,949	3,938

The assets described above were all revalued at 31 March 1999 and their values were updated by index as at 31 March 2000.

Gravetye, a small estate in Kent valued at £978,910, has for the first time been included in the accounts of the Forestry Commission. It is a donated asset which has been owned by the Commission for many years but has previously been included in the accounts of Forest Enterprise, who continue to manage the estate. It is included in both the opening and closing net book values.

Fixed asset additions consisted of two elements:

Purchases of fixed assets; and
Furniture - creation of a furniture pool.

Purchase of fixed assets

Fixed asset purchases totalled £383,000.

Furniture - creation of asset pool

In accordance with the requirements of the Resource Accounting Manual a pool of assets has been created. This was deemed to have been added on 31 March 2000 at a net book value of £186,886, of which cash purchases in-year amounted to £32,706 and the balance of £154,180 was a credit to the General Fund.

Note 4. Investments

The Investments figure of £476,317,550 (£529,148,957 for 1998/99) represents the Net Book Value of Forest Enterprise in England, which is a Public Corporation and as such, is beyond the departmental boundary for Resource Accounting purposes. The fall in the net book value of £52,831,407 consists of:

	1999/2000
	£000
In year movement on General Fund	(3,085)
Revaluation of Forest Enterprise fixed assets (taken to Operating Cost Statement)	(49,746)
Total	(52,831)

The downward revaluation of fixed assets is regarded as a permanent diminution in value and as such has been charged to the Operating Cost Statement.

Forest Enterprise Cash Deficit

Payments of £3,381,011 were made to Forest Enterprise Agency from Grant-in-Aid, this being the difference between the operating deficit £6,465,659 (excluding cost of capital) and non-cash costs of £3,084,648.

Note 5. Cost of Capital

The Commission is required to bear a cost of capital charge of 6 per cent on its assets. Notional cost of capital based on average net assets employed in 1999/2000 amounted to £122,504 (£235,709 for 1998/99).

The investment in Forest Enterprise in England shown in Note 4 attracts a further cost of capital charge.

Note 6. Operating leases

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

	1999/2000	Unaudited 1998/1999
	£000	£000
Building leases expiring within:		
One year	–	10
Two to five years	27	71
More than five years	915	952
Total	942	1,033

Note 7. Stocks and work in progress

	1999/2000	Unaudited 1998/1999
	£000	£000
Stocks (publications)	301	210

There was no work in progress as at 31 March 2000.

Note 8. Debtors

	1999/2000	Unaudited 1998/1999
	£000	£000
Trade debtors	1,898	3,835
Other debtors	195	550
Cash ledger reconciliation imbalance transferred to suspense	2,033	–
Total	4,126	4,385

Other debtors includes amounts falling due after more than one year of £82,000 (£154,000 as at 31 March 1999).

Note 9. Cash at bank and in hand

	1999/2000	Unaudited 1998/1999
	£000	£000
Balance with Office of Paymaster General	(703)	(13)
Cash at commercial banks and in hand	–	–
Total	(703)	(13)

Note 10. Creditors: amounts falling due within one year

	1999/2000	Unaudited 1998/1999
	£000	£000
Payments received on account	–	–
Trade creditors	92	1,393
Other creditors (including taxation and social security costs)	3,155	4,010
Total	3,247	5,403

Note 11. Reconciliation of net operating cost to changes in General Fund

	1999/2000
	£000
Net operating deficit for the year	124,850
Net Parliamentary funding	(43,623)
Cost of capital	(30,287)
Creation of pooled asset value of furniture and equipment, excluding cash purchases in-year	(153)
Net decrease in General Fund	50,787
General fund as at 31 March 1999	527,969
General fund as at 31 March 2000	477,182

The Gravetye Estate detailed in Note 3 is included in the General Fund balance at both 31 March 1999 and 31 March 2000.

Note 12. Provision for Liabilities and Charges

There were no contingent liabilities at 31 March 2000 for damages caused to other persons' property or for compensation for personal injury to employees.

Note 13. Liabilities for compensation payments

In accordance with paragraph 15.7.9 of the Resource Accounting Manual, the future liabilities for payments to staff who took early retirement, until they reach 60, are shown on the main Forestry Commission accounts. They comprised:

	1999/2000	Unaudited 1998/1999
	£000	£000
Compensation payments:		
Balance at 1 April 1999	5,998	7,931
Utilised in year	(1,701)	(1,933)
Sub-total	4,297	5,998
Adjustment to provision for staff leaving during the year	14	Not available
Balance at 31 March 2000	4,311	5,998

This figure represents the (discounted) liability for payments to early retirees until they reach the normal retirement age, a discount rate of 6 per cent has been used.

Note 14. Compensation benefits payable

Staff who take early retirement (before reaching age 60), may be entitled to compensation payments. The amounts paid in compensation payments (lump sums and monthly payments) are shown for information purposes only above. They were met from the Grant-in-Aid drawn down by the Forestry Commission but in accordance with paragraph 15.7.10 of the Resource Accounting Manual have been excluded from the face of the Operating Cost Statement.

	1999/2000	Unaudited 1998/1999
	£000	£000
Annual compensation payments	1,723	1,933
Lump-sum payments	417	1,049
Total	2,140	2,982

Note 15. Related Party Transactions

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

In addition, the Forestry Commission has had various material transactions with other Government Departments and other central Government bodies. Most of these transactions have been with the Intervention Board and Paymaster General's Office, the Department for Environment, Transport and the Regions, the Department of Trade and Industry and the Ministry of Agriculture, Fisheries and Food.

In the year to 31 March 2000, Forest Enterprise entered into the following material transactions involving the following non-executive Commissioners of the Forestry Commission:

Mr Tom Bruce Jones is a director of James Jones & Sons Ltd which purchased approximately 226,000 cubic metres of timber at £3,837,000 from Forest Enterprise; and

Sir Michael Strang Steel is non-executive chairman of Alba Trees plc. which purchased seed and plants at £7,000 from Forest Enterprise and sold seed and plants at £52,800 to Forest Enterprise.

List of bodies preparing Resource Accounts

The Forestry Commission

Forest Research Agency

The Forestry Commission

Accounts Direction given by the Treasury in accordance with Section 5 of the Exchequer and Audit Departments Act 1921

The Forestry Commission shall prepare resource accounts in respect of its activities in England and those functions which it carries out on a Great Britain-wide basis other than net superannuation costs for the year ended 31 March 2000 in compliance with the accounting principles and disclosure requirements of the HM Treasury Resource Accounting Manual ("the Resource Accounting Manual") which is in force for that financial year.

The Summary of Resources Outturn will show the net resource outturn for all activities provided for by the indicative resource estimate for the Forestry Commission. The accounts will include a reconciliation of the net resource outturn in respect of activities in England and on a Great Britain-wide basis and the net resource outturn for all activities provided for by the indicative resource estimate.

The accounts shall be prepared so as to give a true and fair view of the state of affairs of the body at 31 March 2000 and the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended.

Compliance with the requirements of the Resource Accounting Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the Resource Accounting Manual is inconsistent with the requirement to give a true and fair view the requirements of the Resource Accounting Manual should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment, which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.

This direction supersedes that given to the Forestry Commission dated 26 November 1993.

B Glickman

Treasury Officer of Accounts

25 October 2000

PENSION SCHEME

Resource Accounts

for the Year ended 31 March 2000



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Foreword

1. Status

The Forestry Commission is a cross border Government department responsible for forestry separately and distinctly in each country of Great Britain.

The Commission consists of three elements:

The core-department (the Forestry Commission) - which is responsible for policy matters;

Forest Research Agency - which undertakes the major part of the Commission's forest research programmes, as well as undertaking technical development and survey work. Forest Research became an Executive Agency of the Forestry Commission with effect from 1 April 1997. The relationship between Forest Research, the Forestry Commissioners and Forestry Ministers is described in its Framework Document which was published in February 1997.

Forest Enterprise Agency - which manages the Forestry Commission's forests. It became an Executive Agency of the Forestry Commission with effect from 1 April 1996 but has been designated as a Public Corporation for National Accounting purposes.

The pension scheme is common to staff in all three countries and all parts of the organisation and as staff move between countries and parts of the organisation during their employment with the Commission, the pension scheme has been designated a reserved GB matter.

In addition to the Pension scheme resource accounts, separate Resource Accounts have been produced for the core-department in each country and for Forest Research. The accounts of Forest Enterprise (in each of the countries) have been produced in accordance with the Companies Act.

The Forestry Commission Compensation Scheme, which is also administered by the Forestry Commission, provides a range of compensation benefits for employees who leave service before their normal retirement age under an early retirement scheme. For staff leaving on or prior to 31 March 1999, the future liabilities for monthly "compensation" payments are shown in the Forestry Commission accounts for England and Great Britain. For staff leaving on or after 1 April 1999, the future liabilities for monthly "compensation" payments are shown in the Forestry Commission accounts for the country in which the officer was serving at the time they took early retirement.

2. Auditors

These accounts are prepared in accordance with a direction given by the Treasury in pursuance of Section 5(1) of the Exchequer and Audit Departments Act 1921. They are audited by the Comptroller and Auditor General.

D J Bills

Accounting Officer

24 January 2001

Report of the Managers

1. Introduction

The Forestry Commission Pension Scheme is an unfunded, non-contributory, voluntary membership scheme administered by the Forestry Commission. The Scheme operates under the Forestry Act 1967 in strict by-analogy with the Principal Civil Service Pension Scheme.

Information about the Forestry Commission Pension Scheme can be found in the booklet "Your Benefits Explained" and further detail can be found in the rules of the Principal Civil Service Pension Scheme.

The Managers, Advisers and Employers for the Scheme are as listed below:

Managers

<i>Accounting Officer:</i>	David J Bills
<i>Forestry Commission</i>	
<i>Pension Scheme Manager:</i>	Duncan Macniven

The managers of the scheme can be contacted at The Forestry Commission, 231, Corstorphine Road, Edinburgh, EH12 7AT.

Advisers

Pension Scheme Actuary:	Government Actuary's Department, New Kings Beam House, 22, Upper Ground, London SE1 9RJ
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Bankers:	Bank of England, Threadneedle Street, London, EC2R 8AH
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Legal Advisors:	The Forestry Commission solicitors, MAFF, 55 Whitehall, London, SW1A 2EY
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Auditors:	The Comptroller and Auditor General, 157-197 Buckingham Palace Road Victoria, London, SW1W 9SP
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Employers:	The Forestry Commission.
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Relationship with the Forestry Commission Compensation scheme

The Forestry Commission Compensation Scheme, which is also administered by the Forestry Commission, provides a range of compensation benefits for employees who leave service before their normal retirement age under an early retirement scheme. The current regulation under which the Scheme operates is the Forestry Commission Compensation scheme 1996, which is in strict by-analogy with the Civil Service Compensation Scheme.

Further information about the Forestry Commission Compensation Scheme can be found in the rules of the Civil Service Compensation Scheme.

2. Changes to the Forestry Commission Pension Scheme

During the year, pension payments were increased by 3.2 per cent with effect from 1 April 1999.

3. Post-balance-sheet events

In July 2000, a ballot of members of the recognised Trade Unions was held which gave a positive response to the proposal to unify the Commission's industrial and non-industrial staff. As a consequence certain previously non-pensionable emoluments have been consolidated into new pay structures for this group and this will result in some increase to future superannuation awards.

4. Membership statistics

Details of the current membership of the Forestry Commission Pension Scheme are as follows:

a. Active members

Active members at 1 April 1999	3,160
<i>Add:</i> New entrants in the year	164
<i>Less:</i> Leavers	(249)
Deaths	(3)
Active members at 31 March 2000	3,072

b. Deferred members

Deferred members at 1 April 1999	1,562
<i>Add:</i> Members leaving who have deferred pension rights	62
<i>Less:</i> Members taking up deferred pension rights	(26)
Deferred members at 31 March 2000	1,598

c. Pensioners in payment

	Members	Dependants	Total
Pensioners in payment at 1 April 1999	4,363	1,753	6,116
Members retiring in year at normal retirement age	64	–	64
Members retiring in year, previously in receipt of	33	–	33
Compensation payments			
Members taking up deferred pension rights	26	–	26
New dependants	–	52	52
Deaths in year	(173)	(99)	(272)
Pensioners in payment at 31 March 2000	4,313	1,706	6,019

5. Further information

Any enquiries about the Forestry Commission Pension Scheme should be addressed to:

D Macniven

The Scheme Administrator
 The Forestry Commission Pension Scheme
 231 Corstorphine Road
 Edinburgh EH12 7AT

Forestry Commission Superannuation Scheme

Report of the Actuary

Accounts for the year ended 31 March 2000

1. The Forestry Commission Superannuation Scheme ("FCSS") is an unfunded public service scheme. The benefits payable, and the members' contributions, are identical to those of the Principal Civil Service Pension Scheme ("PCSPS"). All payments of benefits from the Scheme are met by the Forestry Commission. Participating employers pay contributions, defined in terms of percentages of pensionable pay, dependent upon the employee grades. The contribution rates are assessed triennially by the Scheme Actuary to be consistent with those which might have applied had the scheme been funded. No allowances are made for amortised surpluses or deficits which would have arisen in a funded scheme.
2. This Report relates solely to the Forestry Commission Superannuation Scheme.
3. **Liabilities** The capitalised value as at 31 March 1999 of expected future benefit payments under the Forestry Commission Superannuation Scheme, for benefits accrued in respect of employment (or former employment) prior to 31 March 1999, has been assessed using the methodology and assumptions set out in paragraphs 6 and 7 below. The results are as follows:

Value of Liabilities	£ million
Current Pensions and associated contingent pensions	311.4
Deferred Pensions, including contingent pensions, for those no longer contributing	26.2
Accrued benefits available to members contributing to the scheme	143.5
Total	481.1

4. **Accruing Costs** The cost of benefits accruing for each year of service is met partly by a specified contribution from members, with the employer meeting the balance of the cost, the latter being separately assessed for each of 10 staff grade ranges. The contribution rates assessed as required to meet the cost of benefits accruing in the year 1999/2000 were as detailed in the annex to this report. Liabilities relating to payments made before normal retirement age as compensation for compulsory retirement under the terms of the Civil Service Compensation Scheme fall to employers.
5. On average, the participating employers were to be charged 16.2 per cent of pensionable pay. In cash terms, the total employer's contribution is assessed as £8.3 million for financial year 1998/99. In addition, the members paid contributions at the rate of 1.5 per cent of pensionable pay.
6. **Methodology** The value of the liabilities has been obtained by using the projected accrued benefits method, with allowance for expected future pay increases in respect of active members. The standard contribution rate for accruing costs has been determined using the projected unit method, with a control period of 3 years.
7. **Assumptions** The principal financial assumptions adopted for the pension assessments made in relation to this statement are an investment return in excess of price increases of 3.5 per cent per annum (pensions under the scheme are increased in line with prices), and an investment return in excess of earnings increases of 2 per cent per annum. The demographic assumptions used for these assessments are taken from those used for PCSPS because full details of the FCSS experience are not available.

Notes

This Statement is based on the actuarial valuation carried out as at 31 March 1999.

The pension benefits taken into account in this assessment are those normally provided from the rules of the pension scheme, including retirement benefits, ill-health retirement benefits, and benefits applicable following the death of the member. The assessments do not include the cost of injury benefits (in excess of ill-health benefits), or redundancy benefits which might arise in respect of current employees. However, additional pension payments already being made in respect of such cases are included in this statement of liabilities in paragraph 3 overleaf.

The value of the liabilities has also been assessed assuming that investment returns are 2.5 per cent per annum higher than those described in paragraph 7. This alternative basis, which is not in accordance with generally accepted actuarial principles, is provided at the request of HM Treasury for direct comparison with other resource accounting items discounted on the same basis. In particular, a discount rate of 6 per cent per annum in excess of price increases has been used. On this basis, the capitalised value of the liabilities is assessed as £365.0 million, comprising £255.9 million for current pensions, £16.8 million for deferred pensions, and £92.3 million for current members.

D G Ballantine

Deputy Government Actuary

London

23 August 2000

Forestry Commission Superannuation Scheme

Annex to Report of the Actuary




Accounts for the year ended 31 March 2000

Group Number	Description	Employer's Rate (percentage of pay)
1	Grades 1-5	22.0
2	Grades 6-7	20.1
3	SEOs	16.5
4	HEOs	15.5
5	EOs	15.5
6	FOs(1)	17.7
7	FOs(2)	17.7
8	FOs(3)	16.5
9	AOs and Others	15.0
10	Industrials	15.0

Statement of Forestry Commissioners' and Accounting Officer's Responsibilities

Under section 5 of The Exchequer and Audit Departments Act 1921, the Forestry Commissioners and Accounting Officer are required to prepare pension scheme accounts for the year ended 31 March 2000 in compliance with the accounting principles and disclosure requirements of the HM Treasury's Resource Accounting Manual.

With the exception of certain transactions, (which are accounted for on a cash basis), the financial statements are prepared on an accruals basis and must show a true and fair view of:

-  The financial transactions during the Scheme year;
-  The net resource outturn for the year; and
-  The amount and disposition of the assets and liabilities at the end of the financial year, other than liabilities to pay pensions and benefits after the end of the Scheme year.

Note 2 "Accounting Policies" to the financial statements describes those transactions which are accounted for on a cash basis, the use of which has no material effect on the net outgoings for the year, nor on the net liabilities at the year end.



In preparing these financial statements, the Accounting Officer and Forestry Commissioners are required to satisfy themselves that the requirements of the Resource Accounting Manual have been met and where to do this would not give a true and fair view, informed and unbiased judgements have been made.

Statement on the System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibilities for ensuring that an effective system of internal financial control is maintained and operated by the Forestry Commission Pension Scheme in connection with the resources concerned.





The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information; financial regulations, administrative procedures, including the segregation of duties; management supervision; and a system of delegation of accountability. The scheme's executive managers undertake development and maintenance of the system with that particular responsibility. In particular, the system includes:

-  Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Management Board;
-  Regular reviews by the Management Board of the periodic and annual financial forecasts which indicate financial performance against those forecasts.

Internal audit of the Forestry Commission Pension Scheme is undertaken by the Internal Audit Unit of the Forestry Commission, which operates to standards defined in the *Government Internal Audit Manual*. The work of the Internal Audit Unit in respect of the Scheme is informed by an analysis of the risks to which the Scheme is exposed and the internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Forestry Commission Audit Committee and approved by me. In accordance with the agreed internal audit plans, the Head of Internal Audit (HIA) in the Forestry Commission provides me with a report on internal audit activity of the Scheme. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Scheme's systems of internal financial controls.

My review of the effectiveness of the system of internal financial control is informed by:

-  The executive managers of the Schemes who have responsibility for the development and maintenance of the financial control framework;
-  The work of the internal auditors, as described above;
-  The Forestry Commission Audit Committee, which oversees the work of the internal auditors; and
-  Comments made by the external auditors in their management letter and other reports.

Implementation of the Turnbull report

In September 1999, the Institute of Chartered Accountants in England and Wales published the report of the Turnbull Committee "*Internal Control: Guidance for Directors on the Combined Code*". The effect of the Turnbull report was to extend the existing requirement to provide a statement in respect of financial controls to cover all controls, including financial, operational, compliance and management of risk.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by Treasury.

D J Bills

Accounting Officer

24 January 2001

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

Forestry Commission Pension Scheme

I certify that I have audited the financial statements on pages 83 to 90 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the accounting policies set out on page 86.

Respective responsibilities of the Forestry Commissioners, Accounting Officer and Auditor

As described on page 78, the Commissioners and Accounting Officer are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Commissioners and Accounting Officer are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I report whether the contributions payable to the scheme have been paid in accordance with the scheme rules and the recommendations of the actuary. I also report if, in my opinion, the Report of the Scheme manager is not consistent with the financial statements, if the Commission has not kept proper accounting records for the Scheme or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 79 and 80 reflects the Commission's compliance with Treasury's guidance "*Corporate governance: statement on the system of internal financial control*". I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion




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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conformed to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

My opinion takes into account that unfunded liabilities to pay pensions after the end of the Scheme year are not required to be recognised in the financial statements but are disclosed in the report of the actuary.

Opinion

In my opinion:

-  The financial statements give a true and fair view of the financial transactions of the Scheme for the year ending 31 March 2000, the net outgoings and cash requirement for the year and the amount and disposition at that date of its assets and liabilities other than liabilities to pay pensions after the end of the Scheme year, and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions made thereunder by the Treasury;
-  In all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them; and
-  The contributions payable to the Scheme during the year ended 31 March 2000 have been paid in accordance with the Scheme rules and the recommendation of the Actuary.

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General

26 January 2001

National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

Schedule 1

Summary of Resource Outturn 1999/2000	Estimate		1999/2000		1998/1999		
	Gross Expend- iture £000	A in A £000	Net Total £000	Gross Expend- iture £000	A in A £000	Net Total £000	Prior year outturn - Net £000
Non-operating-cost A in A	-	-	-	27,130	(9,649)	17,481	-
Net Cash requirement	-	-	-	-	-	17,494	-
Reconciliation of Resources to Cash Requirement			£000			£000	
Net Total Resources			-			17,481	-
Less: Non-operating cost A in A			-			-	-
Total			-			17,481	-
Accruals adjustments:							
Changes in working capital other than cash			-			13	-
Transfer from (to) provision			-			-	-
Adjustment in respect of CFERS			-			-	-
Net cash requirement			-			17,494	-

Explanation of the variance between Estimate and Outturn:

Resource Budgets were not prepared (or required) for 1999/2000 and accordingly estimate figures (on a resource basis) are not available.

Explanation of the variance between Estimate and net cash requirement and Outturn net cash requirement:

Resource Budgets were not prepared (or required) for 1999/2000 and accordingly estimate figures (on a resource basis) are not available.

1998/1999 figures

Resource Accounts were not produced for 1998/1999 and therefore comparative figures are not available.

Schedule 2

Revenue Account

for the Year ended 31 March 2000

Unaudited

1998/1999

	Note	1999/2000 £000	1998/1999 £000
Contributions and Benefits			
Contributions received	3	(9,338)	(8,652)
Transfers in	4	(311)	(170)
Other Income		-	-
Total		(9,649)	(8,822)
Benefits payable	5	26,771	26,188
Leavers	6	359	233
Other expenditure	7	-	-
Total		27,130	26,421
Net Outgoings for the Year		17,481	17,599

Schedule 3

Balance Sheet

as at 31 March 2000

	Note	1999/2000 £000	1998/1999 £000	Unaudited 1998/1999 £000
Debtors:				
Contributions due in respect of:				
Pensions		-		-
Overpayments outstanding	5	18		-
Total		18		-
Cash balance at PAYMASTER	14	-		-
Cash at bank and in hand	14	-		-
Total		-		-
Current Assets		18		-
Creditors (amounts falling due within one year)	9	(473)		(468)
Net current assets		(455)		-
Net liabilities		(455)		(468)
Financed by:				
Future payments from the Consolidated Fund		(455)		(468)

D J Bills

24 January 2001

Pension Scheme statements for the year ended 31 March 2000

Notes to the Resource Accounts

Note 1. Basis of preparation of the Scheme statements

The Scheme statements have been prepared in accordance with the relevant provisions of the Resource Accounting Manual issued by the Treasury, which are in turn based on the recommendations of the Statement of Recommended Practice entitled Financial Reports of Pension Schemes and within the framework of legislation under which the Forestry Commission reports (for England and Great Britain principally the Forestry Acts 1967 and 1979).

The Scheme statements summarise the transactions of the Forestry Commission Pension Scheme. They do not take account of obligations to pay pensions which fall due after the end of the current year. The actuarial position of the pension scheme, which does take account of pension obligations, is dealt with in the Report of the Actuary on pages 75 to 77 of these accounts, and the Scheme statements should be read in conjunction with that report.

The accounting policies adopted are described below. They have been applied consistently in dealing with items that are considered material in relation to the Scheme statements.

Note 2. Statement of Accounting policies

a. Pension contributions

Employers' normal pension contributions are accounted for on an accruals basis. Employees' pension contributions which include amounts paid in respect of the purchase of added years but which exclude Additional Voluntary Contributions are accounted for on an accruals basis.

b. Transfers

Transfers in and out are accounted for on a cash basis.

c. Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) are deducted from employees' salaries and are paid over by the Commission to the approved AVC providers.

d. Pension benefits payable

Pension benefits payable are accounted for on an accruals basis.

e. Pension payments to and on account of leavers before their normal retirement age

Where a member of the pension scheme is entitled only to a refund of contributions (where they have served less than 2 years), the transaction is accounted for on a cash basis.

f. Pension payments to those retiring at their normal retirement age

Where a retiring member of the pension scheme has no choice over the allocation of benefits receivable between the value of the lump sum and the annual pension, the transaction is accounted for on an accruals basis.

g. Overpayments of pensions

Overpayments of pensions are netted off against the original expenditure. Unrecovered overpayments are shown in the Balance Sheet.

h. Liabilities for compensation payments

In the opinion of the Forestry Commission, in the absence of legal opinion, the Compensation Scheme acts as an agent rather than a principal.

Staff who take early retirement (before reaching age 60), may be entitled to compensation payments. The liabilities for such payments are shown in the main accounts of the Forestry Commission and its agencies, rather than the Pension Scheme accounts. The amounts paid in compensation payments (lump sums and monthly payments) are shown for information purposes only in note 18.

Note 3. Pension contributions receivable

	1999/2000	Unaudited 1998/1999
	£000	£000
Employers	8,417	7,754
Employees:		
Normal	839	822
Purchase of added years	82	76
Total	9,338	8,652

Note 4. Pensions transfers-in

	1999/2000	Unaudited 1998/1999
	£000	£000
Individual transfers in from other schemes	311	170

Note 5. Pension benefits payable

	1999/2000	Unaudited 1998/1999
	£000	£000
Pensions or annuities:		
Amounts paid to retired employees and dependants including amounts accrued but not paid as at 31 March	24,788	24,273
Commutations or lump sum benefits:		
On retirement	1,914	1,871
On death	96	50
Injury benefits	-	1
Less recovery of overpayments		
Amounts recovered	(9)	(7)
Amounts outstanding at 31 March 2000	(18)	-
Total	26,771	26,188

Overpayments of pensions are netted off against the original expenditure. Unrecovered overpayments are shown in the Balance Sheet.

Note 6. Pension payments to and on account of leavers

	1999/2000	Unaudited 1998/1999
	£000	£000
Refunds to members leaving service	66	46
Payments for members joining State scheme	-	-
Group transfers to other schemes	-	-
Individual transfers to other schemes	293	187
Total	359	233

Note 7. Other expenditure

There was no other expenditure in respect of the pension scheme for the current or preceding years.

Note 8. Debtors: contributions due in respect of pension

Overpayments of Pension benefits are reclaimed or adjustments are made to subsequent payments.

The balance outstanding as at 31 March 2000 was £17,570 (£Nil 1998/99).

Note 9. Creditors - amounts payable within 12 months

	1999/2000	Unaudited 1998/1999
	£000	£000
Benefits payable:		
Pensions payments	473	468

Note 10. Additional Voluntary Contributions

The Forestry Commission Pension Scheme provides for employees to make Additional Voluntary Contributions (AVCs) to increase their pension entitlements or to increase life assurance cover. Employees may arrange to have agreed sums deducted from their salaries, for onward payment to one of the approved providers who are Scottish Widows and Equitable Life, or may choose to make their own arrangements by making periodic payments to an insurance company or scheme institution which offers Free Standing Additional Voluntary Contribution schemes. The Managers of the Forestry Commission Pension Scheme are only responsible for payments made to the Scheme's approved providers. Members participating in this arrangement receive an annual statement from the approved provider made up to 31 March each year confirming the amounts held in their account and the movements in year.

AVC transactions have not been recorded in the main pension scheme statements in accordance with para 15.6.10 of the Resource Accounting Manual.

The amounts paid to each AVC provider and the value of these contributions is shown below.

	Contributions paid during 1999/2000	Contributions paid up to 5th April 1999	Value of contributions
	£000	£000	£000
AVC Supplier			
Equitable Life	87	294	543
Scottish Widows	7	Not available	52

Note 11. Contingent liabilities

In the unlikely event of a default by one of the approved AVC providers, pension payments would be met by the Policy Holders Protection Act 1975 (as amended by the PPA 1997). In the event of the failure of both of these sources, the Forestry Commission will guarantee pension payments (this guarantee does not apply to members who make payments to institutions offering FSAVCs).

The likelihood of two such events occurring is considered too remote to warrant inclusion of the accrued liability in these accounts.

Note 12. Reconciliation of financing from Consolidated Fund to net cash requirement per Schedule 1

	1999/2000
	£000
Voted from Consolidated Fund (Schedule 1)	17,494
Less: amounts undrawn at 31 March 2000	–
Financing from Consolidated Fund (see Schedule 1)	17,494
Cash balance at PAYMASTER at: 1st April 1999	–
31st March 2000	–
Adjustment in respect of Consolidated Fund	–
Extra Receipts (CFERs)	–
Net Cash Requirement (Schedule 1)	17,494

Note 13. Related-party transactions

The Forestry Commission Pension Scheme falls within the ambit of the Forestry Commission, which is regarded as a related party. During the year, the Schemes have had material transactions with the Commission and its executive agencies whose employees are members of the Scheme. None of the Managers of the Scheme, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year.

Note 14. Cash at bank and at hand

The Forestry Commission does not hold bank balances in relation to the Pension scheme.

Note 15. Movements in Working Capital other than Cash

These comprised:

	1999/2000
	£000
Debtors	18
Creditors	(5)
Total	13

Note 16. Consolidated Fund

The funding of net liabilities will be met from the Consolidated Fund in subsequent years. The proceeds of net assets will be repaid to the Consolidated Fund.

Note 17. Prior year figures

This is the first year for which separate Pension Scheme accounts have been produced. Prior Year figures were not, therefore, separately audited (but were part of the total departmental accounts that were audited by the National Audit Office).

Note 18. Compensation benefits payable

	1999/2000	Unaudited 1998/1999
	£000	£000
Annual compensation payments	1,723	1,933
Lump-sum payments	417	1,049
Total	2,140	2,982

Staff who take early retirement (before reaching age 60), may be entitled to compensation payments. The liabilities for such payments are shown in the main accounts of the Forestry Commission and its agencies, rather than the Pension Scheme accounts. The amounts paid in compensation payments (lump sums and monthly payments) are shown for information purposes only above.

Forestry Commission Pension and Compensation Schemes

Accounts Direction given by the Treasury in Accordance with Section 5 of the Exchequer and Audit Departments Act 1921

The Forestry Commission shall prepare pension scheme and compensation scheme accounts for the year ended 31 March 2000 in compliance with the accounting principles and disclosure requirements of the HM Treasury's Resource Accounting Manual ("the Resource Accounting Manual") which is in force for that financial year.

The accounts shall be prepared so as to give a true and fair view of the financial transactions during the scheme year ended 31 March 2000, the net resource outturn for the scheme year then ended, and of the amount and disposition at that date of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Compliance with the requirements of the Resource Accounting Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the Resource Accounting Manual is inconsistent with the requirement to give a true and fair view the requirements of the Resource Accounting Manual should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment, which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual. Any material departure from the Resource Accounting Manual should be discussed in the first instance with the Treasury.

B Glickman

Treasury Officer of Accounts

25 October 2000

FOREST ENTERPRISE IN ENGLAND

Accounts

for the year ended 31 March 2000



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Foreword

1. Status

Forest Enterprise became an Executive Agency with effect from 1 April 1996 to manage the Forestry Commission's estate. Its status as an Executive Agency has remained unaltered following devolution except that it produces three separate accounts for activities in England, Scotland and Wales.

Forest Enterprise remains part of the Forestry Commission which is a cross-border Government Department responsible for forestry throughout Great Britain. The relationship between Forest Enterprise, the Forestry Commissioners and Forestry Ministers is described in the Framework Document published April 1996.

Prior to 1 April 1996, Forest Enterprise was managed as an internal department of the Forestry Commission for which separate accounts were presented in the Forestry Commission Annual Report and Accounts. The Agency has assumed ownership of and responsibility for the assets and liabilities of its predecessor as shown on the Forest Enterprise balance sheet as at 31 March 1996.

Until 30 June 1999, the Forestry Commission's activities were financed through the Forestry Fund and Forest Enterprise received funds from and made payments to the Forestry Fund. The Forestry Fund was abolished from 1 July 1999 as a consequence of devolution. The annual cash surplus or deficit of Forest Enterprise England is counted in the Forestry Commission's net Grant-in-Aid drawn down from Class X Vote 3.

The Office of National Statistics designated Forest Enterprise, for National Accounting purposes, a Public Corporation in January 1999 in accordance with European System of Accounts (ESA) 95. Following devolution it has been designated as three separate Public Corporations covering activities in England, Scotland and Wales. Accordingly, it is outside the departmental boundary for Resource Accounting purposes with the net surplus or deficit and net worth reflected in the Forestry Commission's consolidated resource accounts for England/Great Britain, Scotland and Wales.




2. Aims and Objectives

The aims of Forest Enterprise are set out in the Framework Document. They are to produce the environmental, financial, social and other outputs sought by Ministers and the Forestry Commissioners in a way which meets the Government's objectives and international commitments and sustains both the environmental quality and the productive potential of the forest estate; and to offer an efficient service.

The objectives of Forest Enterprise are listed in Chapter 3 of the Agency's Framework Document.

3. Review of Activities

Forest Enterprise in England produced a deficit on its Income and Expenditure Account of £6.4 million (£16.3 million surplus 1998-99) excluding the notional cost of capital. A comparison of income and expenditure with the previous year shows that.

-  The operating surplus reduced by £2.7 million.
-  Net spending on recreation, conservation and heritage increased by £0.5 million.
-  The surplus on sale of properties reduced by £19.5 million.

After adjusting the total deficit for items not involving the movement in cash and for capital expenditure and income, the net cash deficit funded by the Forestry Commission was £3.3 million.

4. Financial Objectives

Forest Enterprise's financial objective set out in the Framework Document is to maximise financial returns on the assets of the estate through wood production and the exploitation of commercial opportunities using private capital wherever appropriate. It is part of a series of multiple benefit objectives which reflect the overall aims of Forest Enterprise.

Details of the financial performance targets set for the Agency by the Forestry Commissioners and achievement against those targets are shown in Note 16 to the Accounts. Achievements against other non-financial targets are noted in the Agency's annual report published separately.

5. Supplier Payment Policy

Forest Enterprise observes the principles of the Confederation of British Industry's Prompt Payers Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 1999-00 indicates that 97.2% of invoices were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts and orders.

6. Employment Policies

Forest Enterprise is committed to the principle of equality of opportunity for employment and advancement for all eligible people on the basis of their ability, qualifications and fitness for the work. Forest Enterprise has systems to ensure that all permanent appointments are made on merit on the basis of fair and open competition and in accordance with the guidance laid down by the Civil Service Commissioners. Further information on the employment of disabled persons, the provision of information to, and consultation with, employees, and the promotion of equal opportunities is available on request.

7. Year 2000

The Agency reviewed all its IT systems to ensure that the potential problems arising from the year 2000 date change were avoided. No significant problems have been experienced.

8. Pension Liabilities

Forest Enterprise staff are part of the Forestry Commission Pension Scheme which is run by analogy with the Principal Civil Service Pension Scheme. A separate pension scheme statement is published in the Forestry Commission England/Great Britain annual report as it is a reserved Great Britain matter.

9. Management Board

Members of the Management Board of Forest Enterprise during the year were:

Bob McIntosh	<i>Chief Executive</i>
Bob Farmer	<i>Territorial Director Wales</i>
Geoff Hatfield	<i>Territorial Director England</i>
Hugh Insley	<i>Territorial Director Scotland (North)</i>
Mike Lofthouse	<i>Territorial Director Scotland (South)</i>
Ian Forshaw	<i>Director Forest Operations</i>
Keith Gliddon	<i>Director Corporate Services</i>
Wilma Harper	<i>Head of Forest Planning</i>
Craig Heaney	<i>Director Engineering</i>
Iain Miller	<i>Head of Personnel Advisory Unit</i>
Peter Ranken	<i>Director Estate Management</i>
Alan Stevenson	<i>Head of Environment & Communications</i>

10. Auditors

These accounts cover the activities of Forest Enterprise in England and are prepared in accordance with a direction given by the Treasury in pursuance of Section 5(1) of the Exchequer and Audit Departments Act 1921. They are audited by the Comptroller and Auditor General.

R McIntosh





Chief Executive and Agency Accounting Officer

19 January 2001

Statement of Forestry Commission's and Chief Executive's Responsibilities

Under Section 5 of the Exchequer and Audit Departments Act 1921 the Treasury has directed the Forestry Commission to prepare a statement of accounts for Forest Enterprise in England for each financial year in the form and on the basis set out in the accounts direction at Appendix 1 to these accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the Forest Enterprise in England state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Forestry Commission is required to:

-  Observe the accounts direction at Appendix 1 to these financial statements, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
-  Make judgements and estimates on a reasonable basis;
-  State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
-  Prepare the financial statements on the going concern basis, unless it is inappropriate to assume that Forest Enterprise will continue in operation.







The Director General of the Forestry Commission, as departmental Accounting Officer, has designated the Chief Executive of Forest Enterprise as the Accounting Officer for the Agency. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity for the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "*Government Accounting*" (HMSO).

Statement on the System of Internal Financial Control

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by Forest Enterprise.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

-  Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Management Board of Forest Enterprise;
-  Regular reviews by the Management Board of periodic and annual financial reports which indicate financial performance against the forecasts;
-  Setting targets to measure financial and other performance;
-  Clearly defined capital investment control guidelines;
-  As appropriate, formal project management disciplines;
-  A programme of accounting inspections

The Forestry Commission has an internal audit unit, which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit unit is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Forest Enterprise Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity in Forest Enterprise. The report includes the HIA's independent opinion on the adequacy and effectiveness of the body's system of internal financial control.

The expansion in the number of accounts required in consequence of devolution to Scotland and Wales together with the introduction of resource accounting has highlighted deficiencies in our system of financial reporting and review. A weakness has also been identified in the manner in which the Commission has monitored VAT expenditure and refunds. Steps will be taken to review and improve the account preparation processes while refinements to our monitoring arrangements have been implemented.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Audit Committee which oversees the work of the internal auditor, the executive managers within the body who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

Implementation of the Turnbull Report

In September 1999, the Institute of Chartered Accountants in England and Wales published the report of the Turnbull Committee *"Internal Control: Guidance for Directors on the Combined Code"*. The effect of the Turnbull report was to extend the existing requirement to provide a statement in respect of financial controls to cover all controls, including financial, operational, compliance and management of risk.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance to be issued by Treasury.

R McIntosh

Chief Executive and Agency Accounting Officer

19 January 2001

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

See also Report of the Comptroller and Auditor General on page 102

FOREST ENTERPRISE IN ENGLAND

I certify that I have audited the financial statements on pages 103 to 113 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 106 to 107.

Respective responsibilities of the Commission, Accounting Officer and Auditor

As described on page 97 the Commission and Accounting Officer are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Commission and Accounting Officer are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 98 to 99 reflects the Commission's compliance with Treasury's guidance '*Corporate governance: statement on the system of internal financial control*'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion



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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.



Qualified opinion due to the inability to reconcile recorded incomes and expenditures to cash flows

The Forest Enterprise accounts are prepared from a common accounting system covering the whole of the Forestry Commission. The Forestry Commission have been unable to reconcile the total value of cash flows recorded in the Resource Accounts and net cash expenditure recorded in the Forestry Commission's Appropriation Accounts submitted to the UK and Scottish Parliaments. The overall imbalance of £2.0m creates the possibility of misstated levels of income and expenditure in any of the accounts prepared from the common accounting system. At 31 March 2000 the imbalance has been recorded in the accounts of Forestry Commission England/GB.

Except for any adjustments that might be required to reconcile cash flows, in my opinion:

-  The financial statements give a true and fair view of the state of affairs of Forest Enterprise in England at 31 March 2000 and of the deficit, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions made thereunder by Treasury; and
-  In all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In respect alone of the limitation on my work arising from the recorded imbalance:

-  I have not obtained all the information and explanations that I considered necessary for the purpose of my audit; and
-  I was unable to determine whether proper accounting records had been maintained.

John Bourn

Comptroller and Auditor General
26 January 2001

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

Report of the Comptroller and Auditor General

Forestry Commission GB/England Forest Enterprise in England

The combination of the implementations of devolution arrangements in Scotland and Wales and the introduction of Resource Accounting has led to the Forestry Commission being directed by the Treasury and by Scottish Ministers to prepare separate Resource Accounts to reflect the Commission's activities in England, Scotland and Wales and also to prepare 3 national accounts for the activities of Forest Enterprise. The Forestry Commission's pension scheme will also prepare separate accounts for the first time in respect of 1999/2000. The number of accounts which the Commission prepare has therefore increased to 11, from 5 in the previous year.

The Forestry Commission operate a central accounting function which maintains a common ledger from which all the financial statements derive. As such for financial reporting purposes, the total net cash required to fund the Commission's activities, as recorded in the various accounts, should equal the net value of payments and receipts as recorded in the Parliamentary Appropriation Accounts. Despite extensive efforts by Commission officials to agree the two balances, an imbalance of £2.0m exists.

My audit has established that the Forestry Commission have a trial balance which accurately reflects their cash balance and the Forestry Commission inform me that they believe the most likely explanation for the imbalance to be inaccurate recording of internal charges. This creates the possibility of materially misstated levels of income or expenditure or asset balances across one or more of the accounts: a problem which did not arise with the smaller number of accounts formerly prepared.

The Commission recognises that the weaknesses described in the Statement on the System of Internal Financial Control are likely to have contributed to this imbalance and are planning to review their procedures to prevent any recurrence.

As a result of this uncertainty, I have qualified my opinion on the accounts of Forestry Commission GB/England and Forest Enterprise in England for the year ended 31 March 2000. The Auditor General for Wales has similarly qualified his opinions on the accounts of the Forestry Commission Wales and Forest Enterprise in Wales and the auditor appointed by the Auditor General for Scotland has qualified his opinions on the accounts of the Forestry Commission Scotland and Forest Enterprise in Scotland

John Bourn

Comptroller and Auditor General

26 January 2001

Income and Expenditure Account

for the Year ended 31 March 2000

	Notes	2000 £ million	Unaudited 1999 £ million
Operating Income			
Sales of Timber		24.6	26.4
Other Forest Sales		1.8	1.6
Other Activities	2b	6.5	7.0
		32.9	35.0
Operating Expenditure			
Harvesting and Haulage of Timber		10.7	11.8
Restocking after Felling		5.3	4.9
Forest Roads		2.4	2.2
Forest Maintenance and Protection		7.9	6.6
Other Activities	2b	6.2	6.4
		32.5	31.9
Operating Surplus		0.4	3.1
Recreation, Conservation & Heritage (RC&H)			
Income		5.1	4.1
Expenditure		12.3	10.8
		(7.2)	(6.7)
Operating Deficit Net of RC&H		(6.8)	(3.6)
Surplus on sale of properties	4	0.4	19.9
Surplus/(Deficit)		(6.4)	16.3
Notional cost of capital	5	(30.2)	(33.5)
Net Deficit for the Year		(36.6)	(17.2)
Transferred to General Fund		(36.6)	(17.2)

There have been no discontinued operations during the year.

The notes on pages 106 to 113 form part of these accounts

Statement of Total Recognised Gains and Losses

for the Year ended 31 March 2000

	2000 £ million	Unaudited 1999 £ million
Net deficit for the year	(36.6)	(17.2)
Revaluation deficit for the year	(49.7)	(54.2)
Total Recognised Gains/(Losses)	(86.3)	(71.4)

Balance Sheet

as at 31 March 2000

	Notes	2000 £ million	Unaudited 1999 £ million
Fixed Assets			
Tangible Fixed Assets	6	471.4	525.4
Current Assets			
Stocks	7	2.0	2.1
Debtors	8	6.1	6.3
Cash at banks and in hand	9	–	–
		8.1	8.4
Creditors – amounts falling due within one year	10	(3.2)	(4.7)
Net Current Assets		4.9	3.7
Total Assets Less Current Liabilities		476.3	529.1
Capital and Reserves			
General Fund	11	410.4	413.5
Revaluation Reserve	12	65.9	115.6
Total Capital and Reserves		476.3	529.1

The notes on pages 106 to 113 form part of these accounts

R McIntosh

Chief Executive and Agency Accounting Officer

19 January 2001

Cash Flow Statement

for the Year ended 31 March 2000

	Notes	2000 £ million
Reconciliation of Net Deficit to Net Cash Flow from Operating Activities		
Net deficit for the year		(36.6)
Notional cost of capital		30.2
Depreciation charges		2.2
(Profit)/Loss on sale of properties	4	(0.7)
(Profit)/Loss on sale of other tangible fixed assets		(0.2)
(Increase)/Decrease in stocks		0.1
(Increase)/Decrease in debtors		0.2
Increase/(Decrease) in creditors		(1.5)
Net Cash Outflow from Operating Activities		(6.3)
<hr/>		
Cash Flow Statement		
Net Cash Outflow from Operating Activities		(6.3)
<hr/>		
Capital Expenditure		
New planting		(0.3)
Payments to acquire tangible fixed assets		(0.4)
Receipts from sale of properties	4	3.4
Receipts from sale of other tangible fixed assets		0.3
Net Capital		3.0
		(3.3)
<hr/>		
Financing		
Deficit funded by Forestry Commission		3.3
Increase/(Decrease) in cash		-
<hr/>		
Reconciliation of Net Cash Flow to Movements in Net Funds		
Increase/(Decrease) in Cash		-
Net funds at 1 April 1999		-
Net Funds at 31 March 2000		-

The notes on pages 106 to 113 form part of these accounts

Notes to the Accounts

Note 1. Accounting Policies

a. Form of Accounts

In accordance with Section 5(1) of the Exchequer and Audit Departments Act 1921, the accounts are drawn up in a format agreed and approved by the Treasury. The accounts are prepared under the historical cost convention modified by the inclusion of the valuation of assets. Without limiting the information given, the accounts meet the requirements of the Companies Acts and of the Financial Reporting Standards where relevant.

b. Accounting for Fixed Assets

Where the Agency is the principal beneficial user of assets of the Forestry Commission estate they are treated as a fixed asset of the Agency although legal ownership is vested in the Forestry Minister.

c. Valuation of Assets

The forest estate and land classified as plantable reserve, included in other land and buildings, is revalued every five years by regional valuation panels, taking account of the species mix, age, yield class and other relevant factors. The open market value assessment is carried out on the basis of the forest estate being sold in an orderly manner as between a willing seller and a willing buyer in full accordance with public accountability and assuming its existing use. It is further assumed that no restraints exist, as they do in practice, from title, statute and environmental considerations. Each regional panel issues a Valuation Certificate which follows the principles of RICS Statements of Asset Valuation Practice and Guidance Notes and Financial Reporting Standards.

In the absence of an annual forestry based index, an external professional opinion of the open market value is obtained each year. The opinion given is outside the RICS Red Book Guidelines and without reference to the Valuation Panels which undertook the 1998 five-year revaluation.

Other land and buildings and plant and machinery are revalued every three years by professionally qualified staff employed by the Forestry Commission. Office machinery and equipment is revalued every three years by Forestry Commission administrative staff. Between revaluations these assets are updated annually by a general price index.

Commercial recreation assets are revalued by a specialist firm and updated annually in consultation with a specialist firm.

All revaluation surpluses and deficits are taken to the Revaluation Reserve.

d. Depreciation

Depreciation is provided on all tangible fixed assets – except the forest estate, and freehold and leasehold land – at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life.

Freehold buildings	–	over 20 to 80 years
Leasehold buildings	–	over the lease term
Plant and machinery	–	over 3 to 16 years
Office equipment	–	over 2 to 20 years

e. Stocks

Finished goods and work in progress are valued as follows:-

- a. timber at the cost of production;
- b. seed at the lower of cost of collection or net realisable value;
- c. plants and livestock at net realisable value;
- d. consumable materials and supplies at current replacement cost.

Cost of production and collection comprises labour and attributable administrative expenses based on the normal level of activity. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

f. Corporation Tax

Forest Enterprise is not subject to corporation tax.

g. Provision for bad and doubtful debts

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

h. Operating Leases

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

Note 2. Operating Surplus

a. The operating surplus net of recreation, conservation and heritage is stated after charging:

	2000	Unaudited 1999
	£ million	£ million
Depreciation of fixed assets	2.2	2.3
Hire of plant and equipment	0.3	0.3
Travel and subsistence	1.5	1.4
Other expenses	2.5	3.2
Forestry Commission Services	2.7	3.9
Forest Research Agency Services	–	–

Other expenses included Auditors' remuneration of £30,000.

There are four Forest Enterprise units supplying England, Scotland and Wales with specialist services: supply of trees for planting, mechanical engineering, civil engineering and design and interpretation. The costs of these units are recovered through the year by internal charges.

Forest Enterprise Head Office has three primary functions: developing corporate strategy and policies, performance monitoring and reporting, and providing corporate support services including estate management, accountancy services and business planning support. Wherever possible the support services are charged out in the year to each country based on service level agreements. The remaining costs are apportioned at the end of the year on a defined basis, first to operational activities and then to each country.

The central services of the Forestry Commission for information technology, personnel, training, public relations and internal audit are made available through service level agreements. These services are charged out in the year to internal customers in Forest Enterprise. The Forestry Commission is charged for their share of finance services provided by Forest Enterprise and for mechanical engineering services.

The Forest Research Agency provides research development and survey services to Forest Enterprise through a service level agreement and charges internal Forest Enterprise customers in the year. Forest Enterprise charges the Forest Research Agency for mechanical engineering services, property rentals and central finance services.

b. Income and expenditure from other activities included in the operating surplus are:

	Income £ million	Expenditure £ million	2000 Net £ million	Unaudited 1999 Net £ million
Forest Holidays	3.0	2.2	0.8	0.9
Agency	0.2	0.1	0.1	0.1
Estate Management	3.3	3.9	(0.6)	(0.4)
Totals	6.5	6.2	0.3	0.6

Forest Holidays is a separate business unit which operates within Forest Enterprise to provide accommodation at self-catering log cabins and camping and touring caravan sites. Income and expenditure is apportioned at the end of the year to England, Scotland and Wales based on turnover by country. Forest Holidays earned a real rate of return on capital invested of 13 per cent compared with a target rate of 8 per cent.

Agency work is carried out on a full cost recovery basis.

Estate Management reflects the net cost of managing the non-forested estate which comprises offices, administrative and industrial buildings, houses, farms, agricultural land and all other lettings. It includes surplus assets which are disposed of wherever possible.

Note 3. Staff Costs and Numbers

a. Employee costs during the year amounted to:

	2000 £ million	Unaudited 1999 £ million
Wages	7.6	7.4
Salaries	7.0	7.1
Social Security Costs	1.0	1.1
Employers Superannuation Costs	2.1	2.2
	17.7	17.8

The Agency's staff are covered by the Forestry Commission Pension Scheme which is a defined benefit pension scheme. Employers' superannuation contributions, calculated as percentages of pensionable pay, are paid to the Forestry Commission Pension Scheme and are included in the Income and Expenditure Account. The employers' contribution rates were set at 15 per cent for industrials and from 15 per cent to 22 per cent for non industrials according to grade as determined by the Government Actuary. Actual payments are met by the Forestry Commission and reflected in its annual accounts.

b. The average number of employees in Forest Enterprise in England during the year was as follows:

	2000	Unaudited 1999
Industrial staff	453	470
Non-industrial staff	288	285
	741	755

The average number of employees during the year in the specialist service units, the Forest Holidays Business Unit and Head Office, who provide services to Forest Enterprise on an Agency wide basis and are not reflected in the above numbers, was 323 industrials (327 in 1999) and 219 non-industrials (185 in 1999).

- c. The Chief Executive received total remuneration of £69,852 in 1999-2000 (1998-99: £61,619), including a taxable benefit of £214 (1998-99: £524) and excluding pension contributions. The Chief Executive is an ordinary member of the Forestry Commission Pension Scheme.
- d. The range of salaries of management board members, excluding the Chief Executive is shown below. Management board members are senior staff and are ordinary members of the Forestry Commission Pension Scheme.

	2000	Unaudited 1999
	Number	Number
£40,000-£44,999	1	6
£45,000-£49,999	5	2
£50,000-£54,999	2	1
£55,000-£59,999	2	1
£60,000-£64,999	1	–

- e. Pension benefits are provided through the Forestry Commission Pension Scheme which is run by analogy with the Principal Civil Service Pension Scheme. The scheme provides benefits on a 'final salary' basis at a normal retirement age of 60. Benefits 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. Members pay contributions of 1.5% of pensionable earnings. Pensions increase in payment in line with the Retail Price Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Disclosures relating to members of the Management Board have been restricted in accordance with the Data Protection Act 1998.

- f. Benefits in kind are provided under the following schemes:-
- (i) Advances of Salary for House Purchase
 - (ii) Advances of Salary for purchase of Season Tickets and Bicycles
 - (iii) Car Provision for Employees Scheme.

Each scheme is subject to conditions and financial limits.

The Advance of Salary for House Purchase scheme had 27 loans with an outstanding balance of £2,500 or more to individual members of staff at 31 March 2000. The total value of these loans was £205,642.

In addition, 16 loans with an outstanding balance of £2,500 or more to individual members of staff in specialist service units and Head Office were outstanding at 31 March 2000. The total value of these loans was £150,795. For accounting purposes, the number and value of these loans is spread over the various Forest Enterprise reporting entities on an agreed basis.

Note 4. Surplus on Sale of Properties

	2000	Unaudited 1999
	£ million	£ million
Income	3.4	24.6
Book value	(2.7)	(4.1)
Disposal costs:		
External Costs	(0.1)	(0.2)
Administrative expenses	(0.2)	(0.4)
Surplus on sale of properties	0.4	19.9

Note 5. Notional Cost of Capital

Notional cost of capital based on 6% of average total assets less current liabilities employed in 1999-2000 amounted to £30.2 million.

Note 6. Fixed Assets

Tangible Fixed Assets	Forest Estate	Land and Buildings	Machinery, Plant and Equipment	Total
	£ million	£ million	£ million	£ million
Valuation:				
At 1 April 1999	468.4	53.1	14.7	536.2
Additions	0.3	0.2	0.2	0.7
Disposals/Transfers	(0.7)	(2.0)	(1.8)	(4.5)
Revaluation adjustment	(49.6)	–	0.2	(49.4)
At 31 March 2000	418.4	51.3	13.3	483.0
Depreciation:				
At 1 April 1999	–	–	10.8	10.8
Provided during year	–	1.0	1.2	2.2
Disposals/Transfers	–	–	(1.6)	(1.6)
Revaluation adjustment	–	–	0.2	0.2
At 31 March 2000	–	1.0	10.6	11.6
Net Book Value:				
At 31 March 2000	418.4	50.3	2.7	471.4
At 1 April 1999	468.4	53.1	3.9	525.4

The forest estate was professionally revalued at 31 March 2000. The next full professional revaluation will be undertaken at 31 March 2001. The other assets described above were all professionally revalued at 31 March 1999. Forest estate and other land and buildings assets comprise both freehold and leasehold assets.

Note 7. Stocks

	2000	Unaudited 1999
	£ million	£ million
Timber	0.5	0.5
Plants and Seed	0.9	0.8
Consumable materials, supplies and Livestock	0.6	0.8
	2.0	2.1

Note 8. Debtors

	2000	Unaudited 1999
	£ million	£ million
Trade Debtors	6.1	5.9
Other Debtors	–	0.4
	6.1	6.3

Other debtors include amounts falling due after more than one year of £0.2 million (£0.2 million as at 31 March 1999).

Note 9. Cash at Banks and In Hand

	2000	Unaudited 1999
	£ million	£ million
Cash at Commercial banks and at hand	–	–
	–	–

Cash, except petty cash, is held by the Forestry Commission GB/England.

Note 10. Creditors: amounts falling due within one year

	2000	Unaudited 1999
	£ million	£ million
Payments received on account	–	0.1
Trade Creditors	0.9	1.3
Other Creditors including taxation and social security costs	2.3	3.3
	3.2	4.7

Other Creditors includes a provision of £0.4 million for known cases of Employers Liability claims where the value and likely timing of these payments is uncertain (£0.4 million in 1998-99).

Note 11. General Fund

	2000
	£ million
Balance brought forward	413.5
Movement in year:	
- Net deficit for year	(36.6)
- Cash deficit funded by Forestry Commission	3.3
- Notional cost of capital	30.2
	(3.1)
Balance carried forward	410.4

Note 12. Revaluation Reserve

	2000	Unaudited 1999
	£ million	£ million
Cumulative Revaluation Reserve brought forward	115.6	169.8
Revaluation deficit for the year ended 31 March 2000		
- Forest estate	(49.6)	(60.7)
- Other tangible assets	(0.2)	6.5
- Adjustment on resurvey and reclassification of properties	0.1	-
	(49.7)	(54.2)
Balance carried forward	65.9	115.6

Note 13. Operating Leases

Commitments on operating lease rentals for the next year are as follows:

	2000	Unaudited 1999
	£ million	£ million
Building leases expiring within:		
One year	-	0.1
Two to five years	0.2	-
More than five years	0.1	0.1
	0.3	0.2
Land leases:		
Total leased land	0.1	0.1

The specialist Mechanical Engineering service has machinery leases of £0.1 million.

Note 14. Contingent Liabilities

There were no contingent liabilities at 31 March 2000 for damages caused to other persons' property and for compensation for personal injury to employees (NIL at 31 March 1999).

Note 15. Related Party Transactions

The Forestry Commission is regarded as a related party. In the year to 31 March 2000, Forest Enterprise entered into the following material transactions involving the non-executive Commissioners of the Forestry Commission:-

Mr Tom Bruce Jones is a director of James Jones & Sons Ltd. which purchased approximately 226,000 cubic metres of timber at £3,837,000 from Forest Enterprise.

Sir Michael Strang Steel is non-executive chairman of Alba Trees plc. which purchased seed and plants at £7,000 from Forest Enterprise and sold seed and plants at £52,800 to Forest Enterprise.

Note 16. Financial Performance Measures

The financial performance measures set by the Forestry Commissioners for 1999-2000 and the actual outturns achieved were:

	Target	Achieved
Operating Surplus	£1.5 million	£0.4 million
Cash Deficit	(£2.4) million	(£3.3) million
Gross receipts from sale of properties	£1.3 million	£3.4 million

Note 2b contains the target and actual rate of return for Forest Holidays.

Appendix 1

Accounts Direction given by the Treasury in accordance with Section 5(1) of the Exchequer and Audit Departments Act 1921

1. The Forestry Commission shall prepare accounts for Forest Enterprise of its activities in England for the financial year ended 31 March 2000 comprising:
 - a. A foreword;
 - b. An income and expenditure account;
 - c. A statement of total recognised gains and losses;
 - d. A balance sheet;
 - e. A cash flow statement;
 - f. A statement of Accounting Officer's responsibilities; and
 - g. A statement on the system of internal financial control;

including such notes as may be necessary for the purposes referred to in the following paragraphs.

2. The accounts shall give a true and fair view of the income and expenditure, and cash flows for the financial year, and the state of affairs as at the end of the financial year.
3. Subject to this requirement, the accounts shall be prepared in accordance with:
 - a. Generally accepted accounting practice in the United Kingdom (UK GAAP);
 - b. The disclosure and accounting requirements contained in "The Fees and Charges Guide" (in particular those relating to the need for segmental information for services or forms of service provided) and in any other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;
 - c. The accounting and disclosure requirements of "Government Accounting", as amended or augmented from time to time,

insofar as these are appropriate to Forest Enterprise and are in force for the financial year for which the accounts are to be prepared.

4. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - a. The forest estate at its existing use value,
 - b. Land and buildings at their existing use value where a market exists, otherwise at depreciated replacement cost;
 - c. Machinery, plant and equipment at current replacement cost;
 - d. Commercial recreation assets at their existing use value, and
 - e. Stocks of seed at the lower of cost or net realisable value, stocks of plants and livestock at net realisable value and stocks of consumable materials at current replacement cost.
6. This direction shall be reproduced as an appendix to the accounts, and supersedes that issued on 16 October 1997.

B Glicksman

Treasury Officer of Accounts

25 October 2000

Schedule 1

Application of the Accounting and Disclosure Requirements of the Companies Act and Accounting Standards

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply to Forest Enterprise unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Directors' Report. To the extent that it is appropriate, the information relating to Forest Enterprise shall be contained in the foreword.
3. The income and expenditure account shall be in a form which discloses the information described in paragraph 2 of Schedule 2, as the recommended formats described in Schedule 4 to the Companies Act are not appropriate to Forest Enterprise.
4. When preparing its balance sheet, Forest Enterprise shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act. The balance sheet totals shall be struck at "Total assets less current liabilities".
5. Forest Enterprise is not required to provide the historical cost information described in paragraph 33(3) of Schedule 4 to the Companies Act.
6. The foreword and balance sheet shall be signed by the Accounting Officer and dated.

Accounting standards

7. Forest Enterprise is not required to include a note showing historical cost profits and losses as described in FRS 3.
8. The cash flow statement shall be presented under the indirect method as described in FRS 1.
9. Forest Enterprise shall not adopt the Financial Reporting Standard for Smaller Entities unless specifically approved by the Treasury.

Schedule 2

Additional Disclosure Requirements

Foreword

1. The foreword shall, inter alia;
 - a. State that the accounts have been prepared in accordance with a direction given by the Treasury in accordance with section 5(1) of the Exchequer and Audit Departments Act 1921;
 - b. Include a brief history of Forest Enterprise and its statutory background.

Income and Expenditure Account

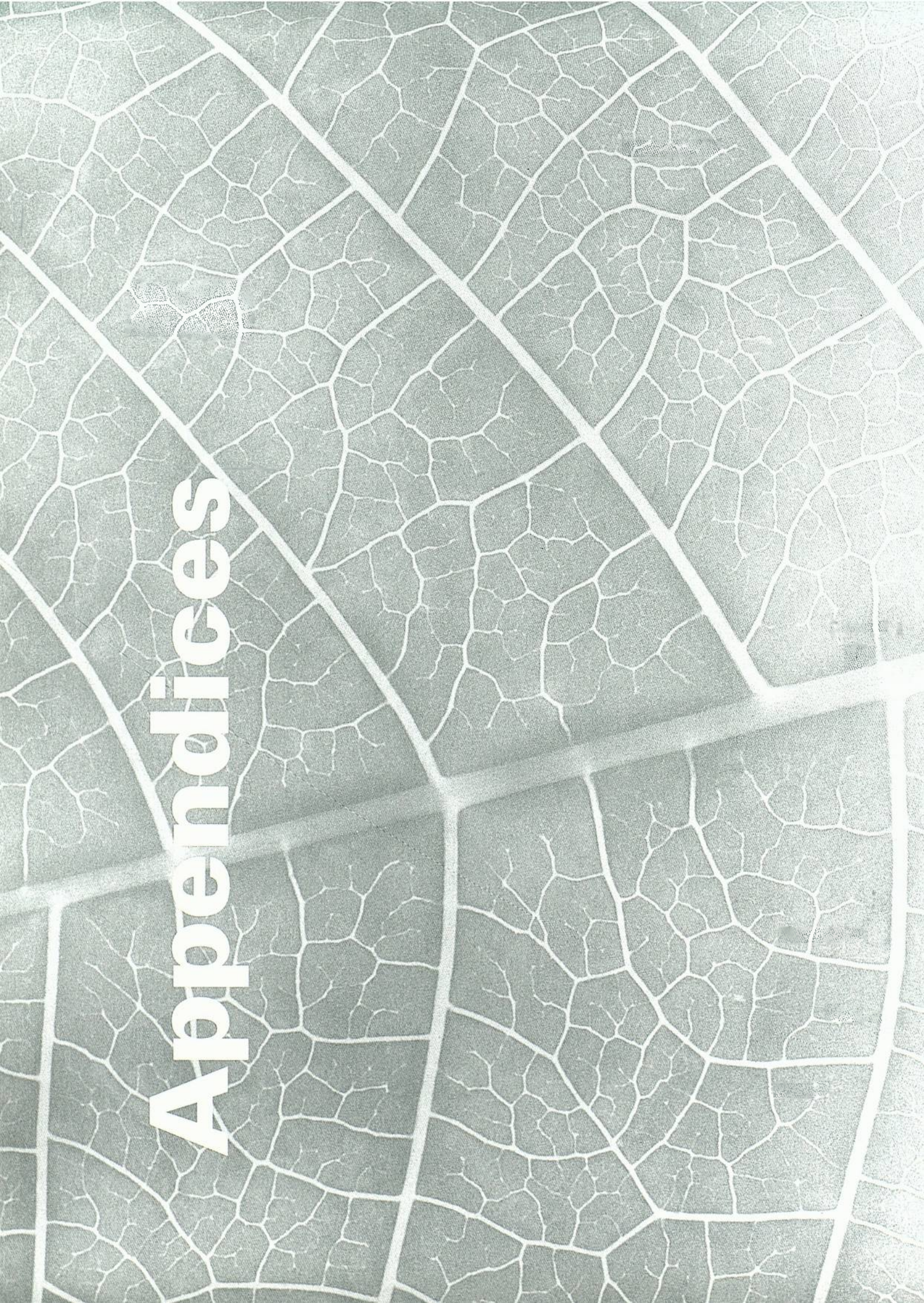
2. The income and expenditure account shall show, inter alia;
 - a. Under "operating income":
 - Sales of timber
 - Other forest sales
 - Other activities
 - b. Under "operating expenditure (by activity)":
 - Harvesting and haulage of timber
 - Restocking after felling
 - Forest roads
 - Forest maintenance and protection
 - Other activities
 - c. The resulting operating surplus/deficit shall be shown as a separate total.
 - d. Under "recreation, conservation and heritage"
 - Income
 - Expenditure
 - Giving operating surplus/deficit net of recreation, conservation and heritage
 - e. The surplus/deficit arising from the sale of properties and the notional cost of capital
 - f. The "net surplus/deficit for the year" which shall be transferred to the general fund
3. Minor changes may be made to the headings in the accounts without the approval of the Treasury.

Notes to the Accounts

4. The notes to the accounts shall include, inter alia:
 - a. Details of the key corporate financial targets for the year and performance achieved against those targets for the year;
 - b. Details of the total income, expenditure and operating result for each of the operations shown within "other activities", together with explanatory notes of the financial objectives set and performance achieved;
 - c. An analysis of the total staff costs and numbers of employees engaged on Forest Enterprise activities and the relevant disclosure elements of the Greenbury Code.

Notes

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Forestry Commission Map

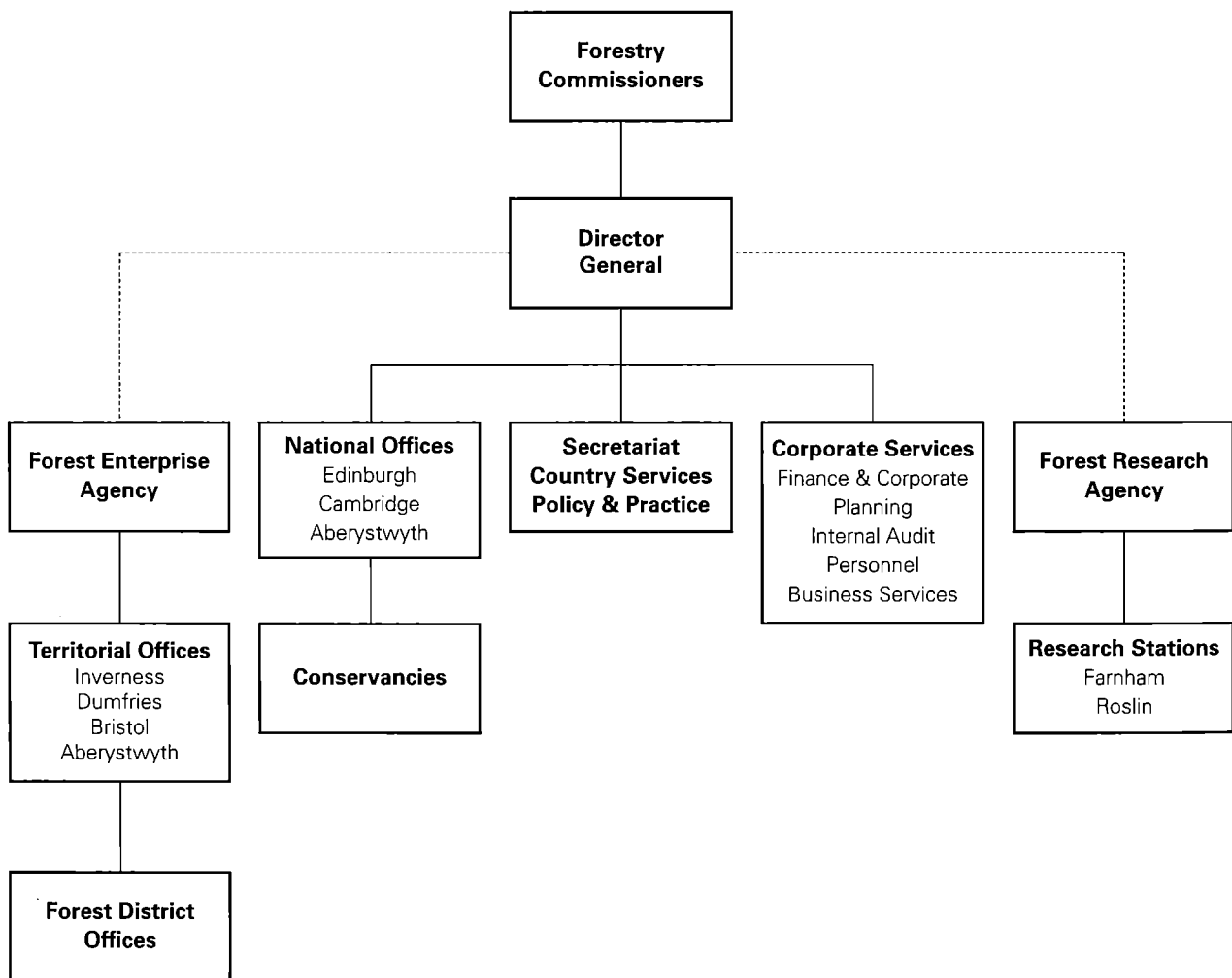
Forest Enterprise Map

Addresses

Appendix 1

The Role and Structure of the Forestry Commission

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



Appendix 2

Forestry Commissioners and Senior Staff

Board of Commissioners

Sir Peter Hutchison Bt CBE FRSE	<i>Chairman</i>
David Bills	<i>Deputy Chairman and Director General</i>
Tom Bruce Jones	
John Edmonds	
Dr Victoria Edwards	
Harry Fetherstonhaugh	
John James OBE	
Duncan Macniven TD	
Dr Bob McIntosh	
Andrew Raven	
Gareth Wardell	
Frank Strang	<i>Secretary</i>

Forestry Commission

Duncan Macniven TD	<i>Head of Corporate Services</i>
Eddie Arthurs	<i>Director, Finance and Corporate Planning</i>
Jim Anderson	<i>Director, Personnel</i>
Alan Mitchell	<i>Head of Business Services</i>
Liz Holmes	<i>Head of Internal Audit</i>
Frank Strang	<i>Secretary and Head of Secretariat</i>
Tim Rollinson	<i>Head of Policy and Practice Division</i>
Paul Hill-Tout	<i>Chief Conservator, England</i>
David Henderson-Howat	<i>Chief Conservator, Scotland</i>
Simon Hewitt	<i>Chief Conservator, Wales</i>
Roger Herbert	<i>Head of Country Services</i>

Forest Enterprise Agency

Dr Bob McIntosh	<i>Chief Executive</i>
Keith Gliddon	<i>Director, Corporate Services</i>
Craig Heaney	<i>Director, Engineering</i>
Peter Ranken	<i>Director, Estate Management</i>
Alan Stevenson	<i>Head of Environment and Communications</i>
Iain Miller	<i>Head of Personnel</i>
Ian Forshaw	<i>Head of Forest Operations</i>
Geoff Hatfield	<i>Director, England</i>
Dr Hugh Insley	<i>Director, Scotland (North)</i>
Mike Lofthouse	<i>Director, Scotland (South)</i>
Dr Bob Farmer	<i>Director, Wales</i>

Forest Research Agency

Jim Dewar	<i>Chief Executive</i>
Dr Peter Freer-Smith	<i>Chief Research Officer</i>

Appendix 3

Statutory and other Committees Appointed by the Forestry Commission

Membership as at 31 March 2000

National Committees

England

Dr V. Edwards (Chairman), Mr T.A. Bruce Jones, Professor C. Swanwick, Mr J. W. Edmonds, Mr J. James, Mr C. Stratton, Mrs R. Thomas. Secretary to the Committee: Mr B. Sidaway. The Committee had no meetings during the year.

Scotland

Mr A. Raven (Chairman), Dr J. Balfour, Mr T. Bruce Jones, Mr J. Edmonds, Mr J. James, Professor H. Miller, Mr J. Wightman. Secretary to the Committee: Mrs A. Alexander. The Committee had no meetings during the year.

Wales

Mr H. Fetherstonhaugh (Chairman), Mr T. Bruce Jones, Mr J. Edmonds, Mr S. Hewitt, Mr J. James, Mr J. Lloyd Jones, Mr G. Wardell. Secretary to the Committee: Mr P. Finch. The Committee had no meetings during the year.

Regional Advisory Committees

England

North West England and Northumbria & Yorkshire Conservancies

Professor C. Swanwick (Chairman), Mr C.H. Bagot, Mr I. Brodie, Mr T. Ferguson, Mr G.H. Hammersley, Mr A. Hampton, Mr J. McRobert Harris, Mr J. I. Macdonald, Mr D. Stewart, Mr D.J. Taylor, Mr J. Tubby, Mr W.R. Worsley. Secretary to the Committee: Mr B.R. Sidaway. The Committee met in October 1999 and February 2000.

Midlands and East England Conservancies

Mr C.H. Stratton (Chairman), Mr D. Hooten, Professor M. Jones, Mr J.A. Kay, Dr K. Kirby, Mr J. Major, Mr C. Mason, Mr T.E. Ruggles-Brise, Mr A. Thompson, Sir J.J.I. Whitaker, Ms V. Whitworth, Mr A.J.K. Wordie. Secretary to the Committee: Mr B.R. Sidaway. The Committee met in June and October 1999 and February 2000.

Severn, Wye & Avon, The West Country and South East England Conservancies

Mrs R. Thomas (Chairman), Mr N.D. Anderson, Dr N. Atkinson, Professor D.J. Cassidy, Mr P. Green, Mr M.R. Henderson, Mr J.B.J. Howell, Mr D. Jordan, Mr T. Phillips, Mr R.D. Stratton, Mr D.W.G. Taylor, Dr T. Whitbread. Secretary to the Committee: Mr B.R. Sidaway. The Committee met in June and November 1999 and February 2000.

Scotland

Highland and Grampian Conservancies

Professor H.G. Miller (Chairman), Mr M.J. Chapman, Councillor B. Dunlop, Ms J. Harden, Mr T. Inglis, Mr M.F.B. Leslie, Mr A. Maciver, Mr I. Morris, Mr P. Ramsay, Mr R.T. Sidgwick, Dr P.J. Tilbrook, Dr J. Williamson. Secretary to the Committee: Mrs A. Alexander. The Committee met in April and October 1999.

Strathclyde and Perth Conservancies

Dr J. Balfour (Chairman), Councillor R. Banks, Dr A. Barbour, Mr R. Beaney, Mr B. Brookes, Mr S. Chambers, Mr A.G. Christison, Mr C. James, Dr A.J. Low, Mr J. McCarthy, Dr S. Petty, Mr J.D. Sornmonth-Darling. Secretary to the Committee: Mrs A. Alexander. The Committee met in April and October 1999.

South Scotland and Lothian & Borders Conservancies

Mr J. Wightman (Chairman), Mr G. Booth, Mr J. Dunbar, Mr J. Farries, Mr R.H. Gladstone, Dr P. Hopkins, Mr R.E.T. Kay, Councillor R. Higgins, Mr D.W. Minns, Mr C.J. Piper, Dr D. Tervet. Secretary to the Committee: Mrs A. Alexander. The Committee met in April and October 1999 and March 2000.

Wales

North Wales and South Wales Conservancies

Mr J.R. Lloyd Jones (Chairman), Dr G.K. Elliott, Mr D.G. Evans, Professor J.E. Good, Mr E.K. Harris, Mr R. Lovegrove, Mr I. Monckton, Mr C. Musson, Colonel P.C. Ormrod, Mr R. Price, Mr G. Roberts, Mrs J. Webb. Secretary to the Committee: Mr H.L. Davies. The Committee met in May and September 1999 and January 2000.

Forestry Commission's Advisory Panel (FCAP)

Sir Michael Strang Steel (Chairman), Professor W.B. Banks, Mr A.F. Bloomfield, Mr C. Davies, Mr M.F. Gale, Mr R.M. Hay, Mr P.R. Higginbotham, Mr D.M. Hughes, Mr A. Phillips, Mr M.T. Thomasin-Foster, Mr M.J. Townsend, Dr T. Whitbread, Mr R.G. Venables, Professor J. Tait, Mr W.R. Worsley, Mr L.L. Yull. Secretary to the Committee: Mr R. Barker. The Committee met in July and November 1999 and March 2000.

Environment Sub-Committee of the FCAP

Professor J. Tait (Chairman), Mr N. Marshall, Ms A. Douglas, Mr R. Jarman, Mr R. Leslie, Mr P. Sandys, Mr P.C.P. Bourdillon, Mr P. Nolan, Professor H.G. Miller, Dr S. Pryor, Mr S. Craig, Mr C. Bain. Secretary to the Committee: Mr M. Sangster. The Sub-Committee met in September 1999 and February 2000.

Supply and Demand Sub-Committee of the FCAP

Mr D. Hughes (Chairman), Mr A. Smith, Mr G. Webb, Mr W.A. Willis, Mr S. Smith, Mr N. Campbell, Mr A.G. Christison, Mr J. Viviani, Mr N. Purdy. Secretary to the Committee: Mr R.E. Selmes. The Sub-Committee met in February, May, August and November 1999.

Technical Sub-Committee of the FCAP

Professor W.B. Banks (Chairman), Dr C. Cahalan, Mr D. Balfour, Mr I. Forshaw, Mr C. Bridgeman, Mr G. Little, Dr D. Wood, Mr G. Callander, Mr C. Forsyth, Mr B. Hudson, Dr P. Savill, Mr N. Starks, Dr R. Worrell. Secretary to the Committee: Mr R. E. Selmes. The Sub-Committee met in June, September, December 1999 and March 2000.

Advisory Committee on Forest Research

Professor H.G. Miller (Chairman), Professor M. Jeger, Mr R. Kempton, Dr A.R. Griffin, Professor B.R. Kerry, Dr P.S. Savill, Professor M.B. Usher. Secretary to the Committee: Dr P.H. Freer-Smith. The Committee met in May and November 1999.

Forestry Research Co-ordination Committee

Mr T. Rollinson (Chairman), Dr J.H. Baker, Mr N. Barker, Dr M.G.R. Cannell, Dr P.A. Costigan, Mr J. Dewar, Dr A.S. Gee, Ms C. Jarvis, Mr J. Palmer, Dr K. Kirby, Dr C. McMurray, Professor H.G. Miller, Dr S. Riley, Dr T. Willison, Dr P.J. Saunders, Mr R.E. Selmes, Dr S. Webster, Dr D.A. Rook. Secretary to the Committee: Dr P.H. Freer-Smith. The Committee met in October 1999 and March 2000.

Forestry and Arboriculture Safety and Training Council

Mr T. Preston (Chairman), Mr I. Millward, Mr R. Evans, Mr R. Shapland, Mr J. Brown, Mr V. Hammond, Mr J. Dymond, Mr B. Duff, Mr E. Rowlands, Mr P. Higginbotham, Mr M. Henderson, Mr R. Shaw, Mr G. Bonner, Mr J. Kenyon, Mr C. Starr, Mr C. Nixon, Dr D. O'Callaghan, Dr J. Williams, Mr K. Sinclair, Mr B. Hudson, Mr P. Bullimore, Mr S. Rhodes, Mr E. Marshall, Mr T. Howard, Mr P. Hunter Blair, Mr P. Breathnach, Mr J. Dewar, Ms E. Ramsay, Mr K. Hawkins, Mr P. Annett. Secretary to the Council: Mr T. Radford. The Council met in April and November 1999.

Appendix 4

Forestry and Arboriculture Safety and Training Council Annual Report Year Ended 31 March 2000

This year has been dominated by the question of a National Training Organisation (NTO). FASTCo, together with partners representing all sub-sectors and occupational groups within the industry (collectively TreeLine UK), presented a submission for recognition as a NTO in September 1999. The submission passed through technical review successfully but was referred back by the Recognition Panel who sought clearer evidence of strategic partnerships especially with Lantra, the NTO covering all non-forestry landbased sector industries. TreeLine is nearing the culmination of negotiations with Lantra with the aim of producing an integration package. If this is accepted by the industry, its NTO services will be provided by a Trees and Timber Industry Group within Lantra. Lantra have accepted the proposed Industry Group will cover forestry and arboriculture together with craft and industrial timber processing.

Although NTO recognition has predominated, FASTCo successfully concluded three major projects: the piloting of a Forestry Modern Apprenticeship in Scotland; rationalisation and extension of Forestry and Arboriculture Training Guidance Materials; and the development of National Occupational Standards for the Green Wood Trades and Allied Crafts. Consolidation of this work awaits the outcome of the NTO recognition process.

The Council's Health and Safety Committee has completed production of new Safety Guides and Checklists. Of particular importance is the revision of the suite of guides covering chainsaw use. In order for customers to have ready access to the current version of the Guides and to significantly reduce the volume, and hence costs, of safety guide production and distribution, the guides will be accessible through a FASTCo Website in May 2001.

FASTCo has also been the Forest Machine Operators Certification Programme secretariat. This exciting initiative, supported by EU and UK funding, is now at the pilot stage. Once systems have been refined by incorporating piloting feedback, certification will be adopted throughout the sector. This initiative has been supported by HSE and is accepted as a spontaneous and responsible action by the forest industry.

T Preston, Chairman

T Radford, Technical Secretary

Table 1

Area of Planting by Private Woodland Owners for which Grants were paid in the year ended 31 March 2000

HECTARES	ENGLAND			WALES			SCOTLAND			GREAT BRITAIN		
	New			New			New			New		
	Planting	Restocking	Total	Planting	Restocking	Total	Planting	Restocking	Total	Planting	Restocking	Total
Woodland Grant Scheme												
Conifer	696	528	1,224	229	583	812	5,163	2,264	7,427	6,088	3,375	9,463
Broadleaved	4,718	886	5,604	515	230	745	5,199	819	6,018	10,432	1,935	12,367
Total	5,414	1,414	6,828	744	813	1,557	10,363	3,083	13,446	16,521	5,310	21,831

Notes:

1. The figures include new planting grant-aided in association with the Farm Woodland Premium Scheme administered by the Agriculture Departments.
2. The areas of new planting and restocking include those areas where the second instalment of grant for natural regeneration has been paid.
3. The GB area of new planting includes 422 hectares of Short Rotation Coppice which was grant aided.
4. In addition to the WGS figures above, one hectare of new planting and 42 hectares of restocking were grant aided in GB under old schemes now closed to new applications.
5. In addition to the restocking figure above, 876 hectares of natural regeneration have been secured in Great Britain through the payment of grant aid.

Table 2

Area of Planting by Private Woodland Owners for which Grants were paid in the 20 year period 1 April 1980 to 31 March 2000

HECTARES												
Year Ended 31 March	ENGLAND			WALES			SCOTLAND			GREAT BRITAIN		
	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total
1981	905	1,930	2,835	561	142	703	6,934	927	7,861	8,400	2,999	11,399
1982	795	1,888	2,683	1,004	223	1,227	10,663	1,339	12,002	12,462	3,450	15,912
1983	1,514	1,994	3,508	911	156	1,067	10,086	968	11,054	12,511	3,118	15,629
1984	1,480	1,935	3,415	1,064	113	1,177	14,129	1,019	15,148	16,673	3,067	19,740
1985	976	1,767	2,743	918	122	1,040	14,135	1,177	15,312	16,029	3,066	19,095
1986	984	2,346	3,330	743	434	1,177	17,292	1,559	18,851	19,019	4,339	23,358
1987	1,219	2,644	3,863	708	280	988	17,220	1,547	18,767	19,147	4,471	23,618
1988	1,679	2,718	4,397	945	476	1,421	21,197	1,660	22,857	23,821	4,854	28,675
1989	1,752	2,330	4,082	923	256	1,179	22,433	2,248	24,681	25,108	4,834	29,942
1990	3,366	3,871	7,237	552	270	822	11,488	1,984	13,472	15,406	6,125	21,531
1991	4,363	3,970	8,333	510	296	806	10,563	2,840	13,403	15,436	7,106	22,542
1992	3,966	4,042	8,008	356	579	935	9,825	3,210	13,035	14,147	7,831	21,978
1993	5,052	3,811	8,863	429	654	1,083	9,814	3,609	13,423	15,295	8,074	23,369
1994	6,091	3,700	9,791	626	441	1,067	9,180	4,314	13,494	15,897	8,455	24,352
1995	4,997	2,475	7,472	554	626	1,180	12,577	3,068	15,645	18,128	6,169	24,297
1996	4,338	1,972	6,310	442	620	1,062	10,195	3,169	13,364	14,975	5,761	20,736
1997	4,348	2,027	6,375	411	814	1,225	11,212	3,692	14,904	15,971	6,533	22,504
1998	4,123	1,984	6,107	485	804	1,289	11,304	2,737	14,041	15,912	5,525	21,437
1999	4,875	1,726	6,601	629	802	1,431	10,410	2,958	13,368	15,914	5,486	21,400
2000	5,414	1,414	6,828	744	813	1,557	10,363	3,083	13,446	16,521	5,310	21,831

Note:

This table includes planting grant-aided under the Woodland Grant Scheme in association with the Farm Woodland and the Farm Woodland Premium Schemes administered by the Agriculture Departments.

Table 3

Area of Management Grant for which grant was paid in the year ended 31 March 2000

HECTARES	ENGLAND	WALES	SCOTLAND	GREAT BRITAIN
Standard MG	3,222	1,632	17,866	22,720
Special MG	30,665	2,077	19,612	52,354
Annual MG	93,876	6,933	32,021	132,830
Woodland Improvement Grant	8,408	3,736	7,292	19,436
Livestock Exclusion	1,353	524	5,406	7,283
Annual Premium				
Total	137,524	14,902	82,197	234,623

Area Approved for Management Grant under the Woodland Grant Scheme

HECTARES	ENGLAND	WALES	SCOTLAND	GREAT BRITAIN
1992-93				
Conifer	11,096	1,222	10,985	23,303
Broadleaved	36,578	1,834	2,549	40,961
Total	47,674	3,056	13,534	64,264
1993-94				
Conifer	18,246	3,911	41,983	64,140
Broadleaved	39,302	1,879	5,762	46,943
Total	57,548	5,790	47,745	111,083
1994-95				
Conifer	7,620	1,750	31,293	40,663
Broadleaved	21,749	1,037	8,088	30,874
Total	29,369	2,787	39,381	71,537
1995-96				
Conifer	4,478	1,164	9,136	14,778
Broadleaved	15,545	1,353	4,322	21,220
Total	20,023	2,517	13,458	35,998
1996-97				
Conifer	3,257	458	5,103	8,818
Broadleaved	12,679	1,295	4,946	18,920
Total	15,936	1,753	10,049	27,738
1997-98				
Conifer	5,900	885	5,808	12,593
Broadleaved	18,474	1,189	3,890	23,553
Total	24,374	2,074	9,698	36,146
1998-99				
Conifer	6,205	820	6,594	13,619
Broadleaved	24,556	1,523	3,552	29,631
Total	30,761	2,343	10,146	43,250
1999-00				
Conifer	8,563	908	5,396	14,867
Broadleaved	24,893	1,018	4,349	30,260
Total	33,456	1,926	9,745	45,127

Table 4

Summary Breakdown of Woodland Grant Scheme Expenditure by Grant Type

	(England)
	£000
a. New Planting:	
Establishment (1st instalments)	4,115
(2nd & 3rd instalments)	1,162
Community Woodland Supplement	738
Better Land Supplement	2,221
Locational Supplement	534
Short Rotation Coppice	162
Short Rotation Coppice (Locational Supplement)	168
Challenge Funding (in addition to normal WGS payments)	631
Tendering	5
Total	9,736
b. Existing Woodlands:	
Restocking (1st instalments)	772
(2nd & 3rd instalments)	456
Standard Management Grant	66
Special Management Grant	1,133
Annual Management Grant	3,369
Woodland Improvement Grant, Challenge Fund	502
Woodland Improvement Grant 50% payments	1,642
Livestock Exclusion Annual Premium	108
Total	8,048
c. Old Schemes Closed to New Applicants:	
New Planting	390
Restocking	318
Managements Grants	72
Other (Legal Expenses)	26
Total	806
Total Grant Expenditure	18,590

Forestry Commission National & Conservancy Boundaries

as at 31 March 2000



Note: As from 1 April 2000, organisational changes will mean that England will have 8 conservancies - North East England, North West England, Yorkshire & the Humber, East Midlands, West Midlands, East England, South East England and South West England.

Forest Enterprise Boundaries

as at 31 March 2000



Address of the Main Offices of the Forestry Commission

as at 31 March 2000

Headquarters

231 Corstorphine Road, Edinburgh, EH12 7AT

0131 334 0303 Fax 0131 334 3047

e-mail: enquiries@forestry.gsi.gov.uk

website www.forestry.gov.uk

English Offices

National Office for England

Great Eastern House, Tenison Road, Cambridge, CB1 2DU

01223 314546 Fax 01223 460699

Forest Enterprise Territorial Office for England

340 Bristol Business Park, Coldharbour Lane, Bristol, BS31 2BF

0117 906 6000 Fax 0117 931 2859

Other Offices

National Office for Scotland

231 Corstorphine Road, Edinburgh, EH12 7AT

0131 314 6156 Fax 0131 314 6152

National Office for Wales

Victoria Terrace, Aberstwyth, Ceredigion, SY23 2DQ

01970 625866 Fax 01970 626177

Forest Enterprise Territorial Office for Scotland (North)

1 Highlander Way, Inverness Retail & Business Park,

East Field Way, Inverness, IV2 7GD

01463 232811 Fax 01463 243846

Forest Enterprise Territorial Office for Scotland (South)

55/57 Moffat Road, Dumfries, DG11NP

01387 272440 Fax 01387 251491

Forest Enterprise Territorial Office for Wales

Victoria Terrace, Aberstwyth, Ceredigion, SY23 2DQ

01970 612367 Fax 01970 625282

Forest Research

Alice Holt Lodge, Wrecclesham, Farnham, Surrey, GU10 4LH

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Northern Research Station, Roslin, Midlothian, EH25 9SY

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