

# Great Britain and England

Annual Report and Accounts



2003-2004



Forestry Commission

## Forestry Commission

Annual Report and Accounts 2003 - 04 for Great Britain and England together with the Comptroller and Auditor General's Report on the Accounts.


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## Aims and Objectives


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


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

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

 to increase the contribution of forests and woodlands to local economies and rural development (*Forestry for Rural Development Programme*);

 to expand the role of woodlands in supporting the economic regeneration of former industrial land and disadvantaged communities (*Forestry for Economic Regeneration Programme*);

 to promote public access to woods and forests and develop diverse recreational opportunities (*Forestry for Access, Recreation and Tourism Programme*); and

 to conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands (*Forestry for the Environment and Conservation Programme*).

The Forestry Commission also aims to be a place which values:

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

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

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

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

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

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



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# Foreword

by the Rt Hon Lord Clark of Windermere, Chairman



This is now the third Annual Report I have introduced as Chairman of the Forestry Commission, and each year I have been increasingly impressed by the professionalism and adaptability of its staff in dealing with an ever-growing agenda of forestry issues.

For example, I have been particularly interested in the work the Forestry Commission has been doing in the past year to help set up the Land Restoration Trust, which is a partnership between the Commission, the Environment Agency, English Partnerships, and Groundwork. The Trust aims to transform 10,000 hectares of derelict, neglected or under-used

brownfield land into accessible, open green spaces to benefit local communities.

The Land Restoration Trust is a good illustration of the Forestry Commission's staff being proactive, but there are, of course, also occasions when they have to be reactive. A notable instance this year was the prompt and positive action which was taken when it was discovered that the disease which killed thousands of trees in the USA, *Phytophthora ramorum*, was now present to a small degree in our country. Working with Defra, the Forestry Commission introduced immediate, well-organised arrangements to ensure that the risk of the disease spreading was



minimised. The early action that was taken has proved to be extremely effective but the situation is still being closely monitored.

Further afield, in the international forestry arena, the Forestry Commission's staff are ensuring that the UK maintains its position as a world leader in many areas including, for example, sustainable management of forest resources, forestry certification and forestry research. The Forestry Commission has played a leading role this year at international forums such as the United Nations Forum on Forests, and it will continue to do so.

On the organisational front, the staff have adapted extremely well to the changes arising from the Forestry Devolution Review. The Forestry Commission's new devolved structure is now allowing a more targeted approach to be taken to delivering the benefits that forestry can provide. Delivery was also a key issue in Lord Haskins' review on 'Modernising Rural Delivery', and the Forestry Commission has been working with Defra and the land-use public bodies to help take forward the implementation of recommendations from the review.

Finally, this year also saw the end of David Bills' term of appointment as Director General of the Forestry Commission. He steered it through demanding times, and the organisation has certainly benefited from his insight and experience. I wish him well for the future.

I now look forward to working with David's successor, Tim Rollinson. As ever, there will be challenging times ahead, and I am sure that Tim and all his staff will come through them to the benefit of the Forestry Commission and for forestry in general.



*David Clark*



# Introduction

by Tim Rollinson, Director General



This is my first report as Director General following my appointment in February 2004. I take pride in leading an organisation in which professionalism and responding to the needs of our customers are core strengths. We are the largest single land manager in Britain. As the biggest single provider of countryside recreation, the guardian of a huge wildlife resource, and the largest producer of wood, we work with a very wide range of interests, whose needs are continually changing.

The year has been dominated by internal restructuring, designed to ensure that we are able to respond to these changing needs. We have centralised our technical and support

services including Information Technology, Human Resources and Finance. The aim is to ensure that our central services are delivered in the most efficient way possible - and to ensure that our National Offices are able to focus on the front line delivery of forestry programmes.

During the year work continued on the development of a new Information Technology system to deliver our woodland grants and felling licences electronically. The aim of this project is to streamline and simplify the woodland grant application process, with benefits for both applicants and staff. Delivery of the system is directly linked to the launch of new grants schemes in England and Wales, due in 2005.



The decline in timber prices over recent years has hit all in the forestry sector, but hit the Forestry Commission's budget hardest. Our Forest Enterprise England agency continued to operate in extremely difficult market conditions with a further eight per cent drop in timber income. As part of our efforts to promote the sustainable use of wood and timber markets we have continued to support the wood. for good campaign. We also worked with the forest sector on a sectoral strategy for sustainable development. The strategy 'Naturally Wood', was launched this year.

We want to ensure that consumers can be confident when buying wood products, and that every link in the production chain is certified as sustainable. Achievements in the year included helping small woodland owners to become certified, working across government to provide guidance on timber procurement, and efforts by industry to develop chain of custody certification for wood products. In addition to stimulating consumer confidence in UK wood products, we have also been involved in developing new markets, particularly woodfuel markets in energy and heat, and for wood distillate products.

Protecting our forests and woodlands is a core responsibility of the Forestry Commission. One of the major challenges faced during the year was the emergence of a new tree health threat, *Phytophthora ramorum*. This pathogen is the cause of Sudden Oak Death in California, and the first confirmed case on an established tree in Britain was recorded in November. In response to this discovery, we carried out a major survey of over 1,000 sites climatically suitable

to host this pest. Initial results have indicated that no evidence of *P. ramorum* has been found, but extensive research is underway and we continue to be vigilant.

As Director General I want to build on the Forestry Commission's reputation as a world leader in the development of sustainable forestry. We will be taking a lead role through the United Nations in negotiations on future international arrangements for forests. Within the UK we are able to make direct links between practical action on the ground and the government's international commitments on sustainable development. During the year we were invited by a number of international organisations to join them in leading a global partnership which aims to restore forests in parts of the world where they have been lost or heavily degraded. Our practical experience, and the lessons we learned in restoring forest cover over the last century, are highly valued.

The Forestry Commission has a track record of managing land and woodlands for public benefits and adopting delivery mechanisms to serve the changing needs of society. I would like to take this opportunity to thank the staff of the Commission who work hard to ensure that we continue to develop as an organisation that delivers high quality services. We look forward to the challenges ahead with enthusiasm.



# Sustainable Forest Management



## (i) INTERNATIONAL

### United Nations Forum on Forests (UNFF)

The UNFF provides an important focus to promote sustainable forest management globally and to implement existing commitments. The UK continued to work in the third session, which took place in May 2003 to make the work of the UNFF more relevant to implementation on the ground. The third session focused on the economic aspects of forests, forest health and productivity, and maintaining forest cover to meet present and future needs. In response to the criticism that previous

sessions had become stale, ritualistic affairs the UNFF Secretariat had introduced a number of innovations to this session in an effort to make it more constructive and participatory.

In addition to a range of special events, the fourth session in May 2004 will consider implementation of existing international commitments in five areas: social and cultural aspects of forests; traditional forest-related knowledge; scientific forest-related knowledge; monitoring, assessment and reporting, concepts, terminology and definitions; and criteria and indicators of sustainable forest management.



The UNFF is due for review at its fifth session in May 2005, and the Forestry Commission is actively participating in discussions that are under way within the UK, the EU and more widely on future international arrangements for forests.

## UK Forest Partnership for Action

The Forestry Commission continued to provide support for the UK Forest Partnership for Action, which was created in the run-up to the 2002 World Summit on Sustainable Development, bringing together government, industry and environmental groups to promote sustainable development across the forest sector. The Forestry Commission's support includes providing the Secretariat and arranging and chairing meetings. At the same time the Forestry Commission is looking at ways of supporting initiatives that will help to deliver government priorities. Given the relevance of its activities to areas of his responsibility (including global sustainability, procurement and illegal logging), Forestry Minister Elliot Morley maintained his engagement with the Partnership through attending meetings whenever possible.

The Partnership has met three times a year and has been working on a number of priority issues, including forest certification, forest restoration and protection, illegal logging, and timber procurement.

A seminar on 'Responsible Timber Purchasing' was held on 9 December 2003 under the auspices of the Partnership, and given the interest of Partners in the issue of sustainable construction, there was also

discussion and work on the issue, including a presentation on 'Timber and the Sustainability of Construction Materials' at the Partnership meeting in March 2004.

## Global Partnership on Forest Landscape Restoration

As a founding partner of the Global Partnership on Forest Landscape Restoration, the Forestry Commission continued to work with others in promoting the initiative, raising funding and encouraging new Partners, at meetings and events alongside a number of international forestry meetings. The Partnership is a network of governments, organisations, communities and individuals who all recognise the importance of restoration and wish to contribute to a global effort to restore forests in areas of deforestation and forest degradation.

The Partners initiated preparations for a Global Workshop in February 2005, with the Forestry Commission hosting the first meeting of the Organising Committee in March 2004. The meeting was productive and moved forward preparations for the Workshop, including agreement of the objectives, theme, outputs and structure, as well as field trip options.

In order to reinforce the importance of clear links between the national and international levels, particularly in the context of forest landscape restoration, the Forestry Commission held a UK stakeholder seminar alongside the Organising Committee meeting. This was an opportunity to discuss how the Global Workshop could be relevant to national



level practitioners, and vice versa. A range of stakeholders from Government, industry and NGOs attended and a number of case studies to demonstrate practical experience from around the UK were proposed, both as input to the Global Workshop and to the North/Central European Regional Workshop taking place in Finland in October 2004.

## Ministerial Conference on the Protection of Forests in Europe (MCPFE)

At its 4th Ministerial Conference in Vienna, 28 - 30 April 2003, Forestry Minister Elliot Morley adopted, on behalf of the UK, the Vienna Declaration and the five Vienna Resolutions, covering National Forest Programmes, Economic Viability of Sustainable Forest Management, Forest Biodiversity, Climate Change and the Social and Cultural Aspects of Sustainable Forest Management.

The MCPFE is an informal political process that offers an open dialogue between Ministers responsible for forests in Europe and brings together a wide range of stakeholders to take action on forest related issues. As well as demonstrating governments' real commitment to sustainable forest management it allows for the regional interpretation of global forest issues for implementation at the regional, national and country levels.

The Forestry Commission will take action to implement the Vienna Declaration and Resolutions at the national/country level. Where there is value in joint implementation at a pan-European level the Forestry

Commission will take this forward through the MCPFE Work Programme adopted in October 2003 as a pan-European follow up to the 4th Ministerial Conference.

## UNECE Timber Committee and FAO European Forestry Commission

The UNECE Timber Committee launched its 61st Session, 7 - 10 October 2003, with a policy forum on wood energy and an informed debate on illegal logging in the UNECE region that demonstrated its ability to contribute to some of the more complex and topical policy issues facing the forestry sector.

The UNECE Timber Committee and the FAO European Forestry Commission have an Integrated Work Programme on Forests and Timber that is currently undergoing its second strategic review. The Forestry Commission is actively involved in taking forward UK interests and the revised programme will be presented for approval at their next 'Joint' Session on 4 - 8 October 2004. Notably FAO has stepped up its involvement and commitment to this work programme.

The Committee aims to ensure that UNECE/FAO work fits well with internationally agreed priorities and objectives and with co-funding from the Forestry Commission and the Department for International Development (DFID) will hold a workshop on illegal logging in September 2004.



## Convention on Biological Diversity (CBD)

The Convention held its 7th meeting of the Conference of the Parties (COP7) in Kuala Lumpur in February 2004. Although forestry was not on the agenda, key decisions related to the issue of 'targets and indicators' support the UK position to integrate oriented targets and indicators into all thematic programmes of work including the Expanded Work Programme on Forest Biological Diversity.

The UK submitted its Voluntary Report on the Implementation of the Expanded Programme of Work on Forest Biological Diversity to the Convention Secretariat in November 2003.

## Commonwealth Forestry Conference

The 17th Commonwealth Forestry Conference will be held in Sri Lanka on 28 February to 5 March 2005 with the theme 'Forestry's Contribution to Poverty Reduction'. The UK, in close co-operation with the Standing Committee on Commonwealth Forestry, is playing an active part in the preparations, which are now well under way. The Organising Committee met in London in February and March 2004 to move forward preparations and to agree the Conference programme.

## European Forest Institute (EFI)

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

an international organisation with the signing of the Convention on 28 August 2003. This change in status will bring benefits both to EFI and the wider forestry community in Europe through broadening the EFI's perspective, primarily by attracting a wider range of nationals to work in the Institute. As a signatory, the UK is following steps towards ratification of the Convention which will come into force two months after eight countries have completed ratification.

## World Forestry Congress

The Director General led the UK delegation to the 12th World Forestry Congress, held in Quebec City in September 2003. The overall theme of the Congress was 'Forests, Source of Life', taking into account the need to balance the social, environmental and economic dimensions of sustainable forest management. The Congress provided 4,000 delegates from more than 140 countries with the opportunity to agree a collective vision, as well as principles to adopt and actions to take in order to ensure the future of the world's forests.

## European Union

The Forestry Commission led the UK's contribution to the final negotiations of the new EU Regulation on monitoring the health of forests, which was finally agreed in autumn 2003. In line with the UK's aims the new regulation takes a broader approach to monitoring forest health taking account of such areas as biodiversity and soil condition.

The reform of the Common Agriculture Policy



was finally agreed in June 2003. The Forestry Commission was actively engaged in assessing the impacts of this on forestry and contributing to the drafting of the Regulations that would implement the reforms, which will provide a more sustainable basis for European agriculture and reflect the wider environmental and rural development objectives.

## (ii) UK ACTIVITY

### Forest Certification and Timber Procurement

Demand for certified product firmed considerably last year aided by new government guidance on the procurement of timber. In response major timber merchants began to secure chain of custody certification for their operations. This is a significant step forward as all enterprises in the chain have to have such certification before the final timber product can be labelled as coming from a certified forest.

There was continued progress on helping owners of small woods to achieve certification. We contributed to funding work to develop simple procedures for small woods that were approved for use in the UK by the Forest Stewardship Council (FSC). Particularly when used in the certification of groups of owners, these new procedures have the potential to significantly reduce costs.

We have also funded work to develop guidance on developing management plans that can be used when seeking certification against the UK Woodland Assurance Standard and applying for grant under the new grant scheme to be introduced in England in 2005. We are also looking at how this guidance can be incorporated into management planning in Scotland and Wales. This work will both reduce the cost of certification, and help owners prepare for a certification audit.

Certification underpins much of the sector sustainability strategy launched by the forest industries in Westminster in February. The strategy sets out the sector's achievements in sustainable development and lists a number of commitments for future action. A key element of the strategy is the ability to show that wood comes from a sustainable source.

Many consumers have shied away from using wood because of environmental concerns and such concerns are handicapping the sector as governments look to promote sustainable construction. Certification provides an important tool to help address these concerns and to promote the sustainable development credentials of the forestry sector.

### Wood Markets in the UK

UK wood is legally and sustainably produced. We are now increasingly able to demonstrate this through forest certification (over 60 per cent of all productive forests are now independently certified) but chain of custody certification - and consumer demand - need



considerable improvement before this advantage can be fully realised. In February the industry published its sustainability strategy 'Naturally Wood', which includes some challenging aims and targets for improvement.

There is increasing interest - not just in the UK - in woodfuel markets in energy and heat, and for wood distillate products such as bioethanol (and thousands of other potential extractives) but a more favourable environment in energy/fuel pricing would be required to significantly accelerate development in the UK. There are tensions between potential new markets and existing ones. The UK wood panel industries that rely on small round wood and sawmill woodchips for some products are currently extremely concerned about the impact of potential new markets for this material in wood and coal/wood power generation. These new renewable energy markets would impact on timber prices and volume demand. An upward impact on prices would be extremely welcome to growers and sawmillers. However, price levels for UK-grown timber remained low throughout the year.

British Timber Statistics 2002 ([www.forestry.gov.uk/pdf/bts2002.pdf/\\$FILE/bts2002.pdf](http://www.forestry.gov.uk/pdf/bts2002.pdf/$FILE/bts2002.pdf)) was published in August 2003. This gives statistics on British timber harvested and used by primary wood processing industries in Great Britain 1994 - 2002, including the biennial sawmill survey.

## Market Development

These are challenging times, as well as historically low prices, the UK wood products industries face a decline of traditional markets for virgin wood due to competition from recycled fibre in paper and woodpanel products, competition from the technical development of other materials, and competition from overseas markets. The latter often benefit from a combination of low cost economies and favourable exchange rates. These problems are shared in some respects by some of our major importers, particularly Sweden and Finland. As a result we are increasingly collaborating with them in research and development and in promotional activities. The joint promotional programme: wood. for good ([www.woodforgood.com](http://www.woodforgood.com)) which entered its fourth year after a very positive evaluation by independent assessors. The programme is now focusing mainly on providing technical information and educational support to the user community, from the DIY sector to architects, designers, builders and specifiers.

Statistical information available to (or used by) companies in the forestry woodchain is generally regarded as a weakness in the industry. The Forestry Commission has now formed an Expert Group on Timber and Trade Statistics to address issues of data coverage, quality, currency and presentation. It takes over some of the work of the former HGTAC Sub-committee on Supply and Demand but has adopted a new approach in order to address these problems, and membership has been widened to include, for the first time, the imported timber trade and Northern Ireland.





## Forest Reproductive Material

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

Work during the year concentrated on bedding down the 2002 regulations. A new Register of Suppliers was created which contains the names of over 100 seed collectors, nurseries and plant traders. Forestry Commission inspectors have visited over 75 suppliers partly on an educational basis to highlight the changes to the regulations and also to ensure that the regulations are being followed. The Register of Suppliers will be made available through the internet ([www.forestry.gov.uk/forestry/infd-5kyjnj](http://www.forestry.gov.uk/forestry/infd-5kyjnj)). In addition, an electronic version of the Register of Basic Material (the register of approved seed collection stands) will be created to allow easier access to it.

In addition to encourage the collection of seed of native trees and woodland shrubs, the Forestry Commission operates a voluntary scheme for the certification of those species that are not covered by the regulations<sup>1</sup>. The map of native seed zones introduced under the scheme has now become the industry standard for identifying seed collections from native species.

The year saw a continuing rise in the number of seed collections certified to over 400 per annum compared to 130 per annum five years ago. This increase solely relates to collections from native species.

Work was also started on modernising our administration of the regulations and the voluntary scheme, including the creation of a new computer database, to make it less bureaucratic and to improve efficiency and data capture.

# Research



The Forestry Commission spent £11.2 million on research in 2003 - 04 to support sustainable forest management in Great Britain. The research ranged from development and improvement of working methods to strategic scientific investigations of such issues as climate change and forest hydrology. The research budget also provided for activities undertaken to transfer the results of the research to end-users, including forestry practitioners, policy-makers and other members of the scientific community. The bulk of expenditure (approximately £10.5 million) was with the Forestry Commission's own agency, Forest Research, which has presented a separate,

detailed report on its activities to Parliament (HC222 ISBN 0 10 292635 2).

The relatively small sum spent with external providers has secured expertise not available 'in-house' (in particular in timber technology) and enabled the Forestry Commission to take part in research programmes led by other departments and agencies where forestry is one interest among others.

Following the Forestry Devolution Review and the Quinquennial Review of the Forest Research Agency in 2002, a Research Management Board has been constituted. It will be the forum through which National



Offices for England, Scotland and Wales will compile their research priorities into a Forestry Commission Research Strategy and annual programmes of research.

## Protecting Forests

We spent just over 20 per cent of the total research budget on research to protect forests against diseases, insect and mammalian pests, and damage from non-living agents such as weather. As in 2003 - 04, a substantial effort was maintained in research to manage the insect pests *Hylobius abietis* and *Hylastes spp*, which attack and kill young trees on replanted sites. Following successful efficacy trials conducted by Forest Research, new products were approved late in 2003 to replace the permethrin-based insecticides that had previously been used against these insects but which were withdrawn from the market in December 2003. Considerable advances were also made in devising management measures, such as fallow periods, to avoid *Hylobius*. This was made possible by continuing improvement in knowledge of the insect's population dynamics.

Research and scientific support for the control of the new pathogen, *Phytophthora ramorum*, was stepped up during the year in response to the concerns of the GB Plant Health Authorities. This involved work carried out by Forest Research, the Central Scientific Laboratory and Scottish Agricultural Science Agency as reported in the Plant Health section of the Report (see page 20).

Another quarantine pathogen, *Dothistroma pini*, cause of 'red band needle blight', has been increasing in prevalence on commercially important pine plantations, especially in eastern England. During 2003 a major new project was started to monitor the impact of the disease and evaluate measures that might be taken to control it.

## Protecting Biodiversity

Traditionally, forest protection has focused on the protection of trees against pests and diseases. This is still important but equally important is the protection of the biological diversity of the woodland ecosystem against external threats or changes. This wider aspect of protection featured in a number of projects during 2003. For example, a study of the impacts of cattle grazing on woodland was completed and the Forestry Commission renewed its support for the multi-agency MONARCH project (Monitoring Natural Resource Responses to Climate Change), co-ordinated by English Nature and carried out by a research consortium led by the Environmental Change Institute at the University of Oxford.



We also commissioned an investigation into the use of molecular markers to track the rates of colonisation and dispersal by woodland species through landscapes that are mosaics of old and new woodland and unwooded land. This technology has the potential to guide the design and management of woodlands at a landscape scale to obtain the optimum protection for biodiversity.




Conservation of the genetic diversity of native tree species is increasingly becoming an issue of concern. The Forestry Commission, together with Defra, has funded a project to investigate the problems experienced by the nursery industry in sourcing and providing local stock of native trees for the creation of farm woodlands. In the course of this project a clear need was uncovered to investigate the impact of 'exotic' sources of wild cherry on a native wild cherry population in ancient broadleaf woodland. This research is now under way.

## Social Research

In pursuing its social research agenda, the Forestry Commission has collaborated widely with other research purchasers, with research organisations and with the broader research community. Notable examples of collaboration include:

-  a study into the health benefits of countryside use, where the Forestry Commission led a consortium of agencies and other Departments. The contract was let to Professor Jules Pretty at Essex University, a conference reporting the results will be held in London in February 2005;
-  Forest Research leading the social science element of a multi-million pound project under the '6th Framework Programme for Research', the principal mechanism for fostering collaborative research in the European Union (EU);

-  the development with Scandinavian institutes of a cross-European project on forestry and health under the EU programme 'Co-operation in Science and Technology' (COST). Eleven countries will be represented at the first meeting in Brussels in May 2004;

-  a jointly supported PhD studentship with Edinburgh University Medical School and Central Scotland Forest to investigate the contribution that forests might make to the health and wellbeing of people in the Central Belt.

We also assisted the research community with access to data and sites, for example the Rural Observatory in Wales intends to develop a research proposal based on access to Forestry Commission data and Geographic Information Systems.

## Making Forestry Safer

The safety of the workforce and others using forests is a prime consideration in forestry operations. It is, accordingly, a feature built into all of the operational research funded by the Forestry Commission.

Work this year has concentrated on gathering information to help the forestry industry comply with new European Legislation - The Physical Agents Directive. This Directive will impact upon Regulations in the UK affecting Hand Arm Vibration, Whole Body Vibration and Noise.



Research has been initiated to compile data on exposure values and exposure times for vibration. Without this data employers and the self-employed would be faced with a costly operation of carrying out measurements for each operation. The research on Hand Arm Vibration has recently been concluded and is due to be published in early summer. Collaborative work with the Health and Safety Executive will start in the spring on aspects of Whole Body Vibration. Further information on how vibration exposure can effect workers can be found at ([www.hse.gov.uk/vibration/index.htm](http://www.hse.gov.uk/vibration/index.htm)).

## Timber Research

A key driver for timber research has been the need to develop markets for relatively low quality softwood and hardwood trees, particularly those grown at wider spacing and with less intensive thinning than was practised until the mid 1960s. Softwood trees planted from that time account for the major increases of production expected over the next 15 years. These volume increases will come particularly from the northern plantations in the private sector. The crop timber quality programme in Forest Research is integrated with work on the quality of sawn timber at the Building Research Establishment (BRE), which is partly funded by the Forestry Commission. The Forest Research team has now produced a prototype computer model that integrates timber density, branching and other characteristics together with site factors. This growth model is designed to link with

the BRE computer model of sawn timber performance. Whilst the Forest Research model will be further refined to assist the management of existing forests, it is expected to be of considerable value in assessing the impacts on timber quality of new silvicultural systems being introduced as alternatives to clear-felling. Such systems are being developed to deliver objectives in the forestry strategies for England, Scotland and Wales.

## Innovation in Wood Products

There is an ongoing programme of research into new technology to provide new opportunities to market wood. However, it is sometimes necessary to take a look at needs and opportunities arising in what seem to be more traditional applications. One such case is in the area of construction using round wood where would-be users have legitimate complaints about a lack of basic information, and difficulties in verifying designs in order to obtain building approvals. The Timber Research and Development Association (TRADA) were commissioned to provide, and are now publishing, comprehensive guidance to the regulations and standards affecting round wood. This includes illustrative material and design detail.

In another project BRE, TRADA and Forestry Commission Civil Engineering have been collaborating in a review of wooden bridge technology and the development and testing of innovative designs. A completely new arched bridge design based on a stress laminated bridge deck made from low value UK softwood has been developed and has



created considerable interest. Prototypes are already in service and the full engineering tests required to allow the design of long spans are now being carried out at the UK Centre for Timber Engineering. This has also provided an excellent opportunity for engineering students at Napier University. We hope that similar work will provide new construction opportunities for locally grown timber particularly where this comprises timber of a quality or size below that normally sold into construction markets.

## Forests and the Environment

The revised Forests and Water Guidelines ([www.forestry.gov.uk/website/PDF.nsf/pdf/fcg1002.pdf/\\$FILE/fcgl002.pdf](http://www.forestry.gov.uk/website/PDF.nsf/pdf/fcg1002.pdf/$FILE/fcgl002.pdf)) were published giving the latest research-based advice to help woodland managers protect and enhance the freshwater environment through careful planning, consultation, forest design and management. At their core is a set of comprehensive advice on catchment planning, site planning and the conduct of all forest operations.

The Forestry Commission has a long-standing operational and research interest in the potential contribution of forestry to flood management. During the year we participated in a working group led by Defra and the Environment Agency to initiate a pilot scheme to look at ways in which changes in land management can alleviate flooding. A site in northern England was selected where the impacts of a range of land-use options, including in woodland, on flood alleviation can be assessed.

Climate change predictions prepared by the UK Climate Impacts Programme have been scaled down to a 10 km basis which has allowed the effect of changes on woodland communities and forest growth to be considered at a regional scale. Reports were completed for East England and Wales.

Forests can play an important role in stabilising CO<sub>2</sub> emissions by providing woodfuel as a substitute for fossil fuels. A major study of the current and future availability of woodfuel - jointly funded by the DTI, Scottish Enterprise, the Welsh Development Agency and the Forestry Commission - was completed. Summary findings are available on an interactive website ([www.woodfuelresource.org.uk](http://www.woodfuelresource.org.uk)), which also allows the user to submit a more detailed enquiry specifying the type of resource and the area of interest.

## Managing Forests

Several years of research and experience have culminated in the recent publication 'Reducing Pesticide Use in Forestry', which provides a decision framework to help managers tackle the major pest and weed control problems in British forestry. It describes alternatives and gives vital information on the use of non-chemical pest and weed control as well as means of minimising chemical applications when other methods are impractical.

As noted under 'Timber Research' there is a move in many areas of Britain to use less intrusive systems of forest management, in particular by reducing the scale of clear



felling. At their most intensive, the new systems involve felling single trees in a multi-aged forest so that a continuous canopy is maintained - continuous cover forestry. A number of projects have been planned to study the implications of such changes for the wider aspects of woodland management and sustainability. Those initiated to date include investigations of water yield and quality from continuous cover stands (a joint project with the Environment Agency in Wales) and effects on wind stability, (a PhD scholarship with Edinburgh University). Forest Research has also developed an electronic spreadsheet to record the additional inventory data required to describe the more complex systems and record the changes in structure and growth as they are transformed from even-aged, single species stands into more diverse structures and species.

## Evaluating the Social and Environmental Benefits of Forestry<sup>2</sup>

A major research study, funded by the Forestry Commission, was completed in 2003 to value the social and environmental benefits of forests and woodlands in Great Britain. The study was led by Professor Ken Willis at the University of Newcastle and estimated total and marginal (i.e. per unit) values for biodiversity, recreation, landscape and carbon sequestration benefits of forestry. Exploratory analysis was conducted of other benefits associated with water quantity and quality, air pollution absorption and archaeology. The study used a variety of empirical techniques to establish public preferences for different benefits and drew, where

necessary, on existing data sources on the distribution and attributes of forests across Britain.

The study was overseen by a steering group which, in addition to staff from the Forestry Commission, included representatives of the Scottish Executive's Department of Environment, Food and Rural Affairs, Defra, HM Treasury and the Countryside Council for Wales. An independent economic consultant was also employed on the group as a special adviser.

The results show that the non-market social and environmental benefits of forestry are extremely large; approximately £1 billion per year (as shown below). Values vary substantially between countries and regions and between different types of benefit. The single largest values are for biodiversity and recreation which each accounted for just under 40 per cent of the total. Aggregating some of the individual SEB estimates to derive total aggregate benefits of woodland is highly dependent upon accurate estimates of the population or number of households that receive such benefits. This study estimates that approximately 85 per cent of the total benefits in Great Britain accrue in England, due to the concentration of population there.



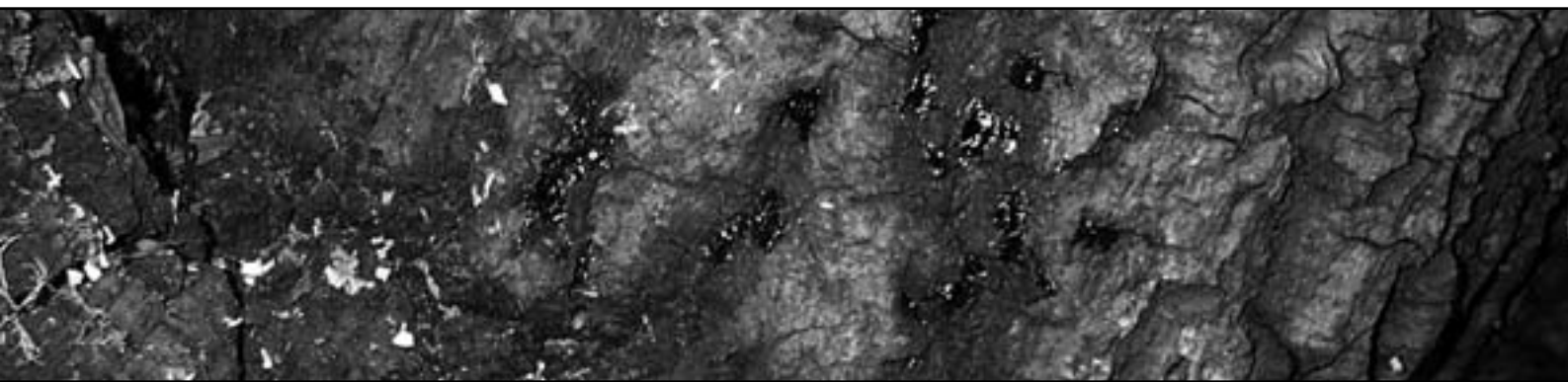
Total annual and capitalised social and environmental benefits of forests in GB (£millions, 2002 prices)

<b>Benefit</b>	<b>Annual value</b>	<b>Capitalised value</b>
Recreation	392.65	11,218
Landscape	150.22	4,292
Biodiversity	386.00	11,029
Carbon sequestration	93.66	2,676
Air pollution absorption	0.39	11
<b>Total</b>	<b>1,022.92</b>	<b>29,226</b>

The study provides powerful evidence of the scale of social and environmental benefits provided by forestry. It is the first time that the Forestry Commission has been able to aggregate these benefits of forests, both collectively and at a country and Great Britain level. The study is a major step in evaluating the wider benefits provided by forestry and will provide a useful input to techniques for evaluating options for sustainable forest management. Further research is necessary to estimate the value of these benefits in different settings and to provide fuller estimates as scientific understanding increases of the effects of forests on the environment.



# Plant Health



## Import Inspections of Sawn Wood

**D**uring the year 3.3 million m<sup>3</sup> of sawn wood subject to quarantine control was landed in British ports (2002 - 03: 2.9 million m<sup>3</sup> ) and we carried out 6,890 inspections (2002 - 03: 6,552). Only three incidents of non-compliance were detected, in either dunnage or wood packaging material, and there was a significant improvement in the general level of compliance. We are pleased to record that we again exceeded the target in our Charter Standard and completed inspections on the day of notification or the next again working day in over 99 per cent of cases.

With the enlargement of the EU on 1 May 2004, and the accession of the Baltic States in particular, we anticipate a significant reduction in the volumes of wood subject to import control in the future. We have therefore reviewed our inspectorate resource and have planned an appropriate reduction.

We were again able to avoid any increase in our current import inspection fees during the year. Following implementation of amendments to the EU Plant Health Directive, due to come into effect at the beginning of 2005, all Member states will be required to charge for import inspections of all products subject to quarantine controls.



We do not envisage any significant changes in the rate of fee we have charged for inspections of wood which are aimed to effect full cost recovery. However, we are examining options for extending the scope of charging to include inspections of wood packaging material landed from third countries and expect to consult with industry later in 2004 before making any changes.

## Implementation of the International Standard for Wood Packaging Material

We reported last year that there had been delays globally in implementing ISPM (International Standard for a Phytosanitary Measure) No. 15 *'Guidelines for regulating wood packaging material in international trade'*. This was due to copyright difficulties associated with the logo to be applied to treated products. These have been resolved and some countries implemented regulations during the year under report while others had formally notified their intention to do so in the period 2004 - 05. The EU delivered its formal notification through the World Trade Organisation's Sanitary and Phytosanitary Agreement procedures in November 2003. All comments received were considered by the EC Standing Committee on Plant Health in February and it was intended to implement requirements across the Community in the summer of 2004. At the end of the year, however, it became clear that a delay would be necessary in order to enable the 10 new Member states to take part in the adoption procedure.

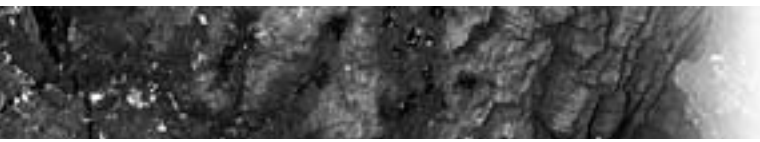
The UK Wood Packaging Material Marking Programme had approximately 400 participants at the end of the year and this has enabled exporters to use treated pallets, etc to ship goods to those countries that demanded them.

## Export Certification

We suspended charging for the issue of phytosanitary certificates for export in May 2000 while a number of similar services performed by other government departments were reviewed. The review concluded that the necessary legal footing to enable charging was not in place and that all fees collected by the Forestry Commission and other departments in the period between 1 October 1996, the date when previous legislation was revoked and 14 May 2000, the date when charging was suspended, had been collected unlawfully and should be re-paid. We began the process of identifying and contacting all of our customers to whom we believed a refund was due at the end of the year and hope to have concluded the exercise by the summer. We anticipate that repayments, including interest, should amount to no more than £20,000. We plan to implement the necessary legislation in order to resume charging as soon as practicable.

## Pheromone Traps

As in previous years, we placed around 200 traps at various ports around the country. We captured a total of 18 *Ips typographus* beetles (2002 - 03: 1). While a significant increase over the previous year, the overall number remains low and gave no cause for concern.



## Pine Wood Nematode

As part of the ongoing EU programme to combat the outbreak of this pest of conifers in Portugal. We sampled 100 locations around the country and did not detect any evidence of this pest. No other Member-state reported any findings and no further spread was reported from Portugal, where an eradication programme continues.

## Horse Chestnut Leaf Miner

We reported the first finding of *Cameraria ohridella* (Horse chestnut leaf miner) in the UK in June 2002, at Wimbledon, southwest London. Further evidence of this defoliating pest was recorded at a number of locations in the south of England in 2003. In Wimbledon, heavy defoliation was observed in July - August, but there was no mortality and all the trees are expected to recover.

## Gypsy Moth

First detected in the London Borough of Redbridge in 1994, we have been working with Defra to contain and eradicate this pest. A programme of pheromone traps has been in place over each summer period and, unfortunately, we have been continuing to detect low numbers of adults which demonstrates that a small population persists. In 2003, when conditions for breeding success were ideal, a total of five males were trapped as compared with only one in each of the previous two years. We plan to widen the area within which the traps are placed in the coming year.

## Dendroctonus Micans

As mentioned in our last report, we carried out a consultation exercise with the wood producing, processing and haulage sectors of the forestry industry. We sought views on whether we ought to abandon the restrictions which prohibit the movement of conifer wood with bark into the area delimited as the Protected Zone, or move the boundary to limit the area of protection to Scotland and north-east England. Our surveys continue to demonstrate freedom from the pest in this area. Out of some 750 papers issued, we received a total of 18 responses. Of the 18, six favoured abandonment of the protected zone controls while 11 favoured retention with an associated re-designation of the protected zone boundary. In the partial Regulatory Impact Assessment which we had issued with the Consultation Paper, we had identified a lack of information on the financial effects of the two options. At a meeting with the majority of the respondents in August, we agreed that a full cost appraisal was necessary before any conclusions could be reached and those attending the meeting agreed to assist us with the provision of better data. At the end of the year under report this exercise was nearing completion and a further meeting with the industry was being planned. We will announce the outcome of this major review in our next report.



## Phytophthora Ramorum

We announced last year that the first case of this pathogen, the cause of Sudden Oak Death in California, had been confirmed in a viburnum found at a garden centre in Sussex. Since then, over 300 infected sites have been dealt with by Defra and the Scottish Executive Environment and Rural Affairs Department at a number of nurseries and garden centres around the country and also at 34 established sites such as historic gardens.

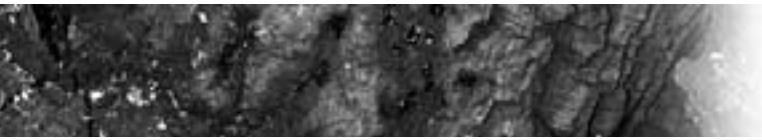
The first confirmed case of this disease on an established tree in Britain was recorded in November 2003 on a single southern red oak (*Quercus falcata*) in a parkland setting in Sussex. This was the first record of an infected tree outside the USA. In December, infected trees were identified at two historic gardens in Cornwall. At all three of these sites, *P. ramorum* had earlier been confirmed as being present and causing dieback on rhododendrons and several other ericaceous ornamental species. In addition to the single *Q. falcata* in Sussex, a total of nine trees at the other two sites have been confirmed as infected with *P. ramorum*: a single holm oak (*Q. ilex*) at one and a sweet chestnut (*Castanea sativa*), a horse chestnut (*Aesculus hippocastanum*), a turkey oak (*Q. cerris*), two beech (*Fagus sylvatica*) and a further three holm oaks at the other. The sweet chestnut and the holm oaks were displaying only foliar infection while the others all had bark lesions. A statutory containment and eradication action plan was in preparation at the end of the year under report, although work to remove infected material had already begun.

At another Cornish location a second previously unrecorded *Phytophthora* was under investigation. Initial findings indicate that this new pathogen, referred to as *Phytophthora taxon C sp. nov.* may be more aggressive than *P. ramorum*. It has been found on beech and also on rhododendron.

Elsewhere, two infected red oaks (*Q. rubra*) were found at separate parkland locations in the Netherlands (November 2003). As with our findings, infected rhododendrons had previously been found at these sites.

These developments continued to attract considerable media interest throughout the year and we dealt with a number of Parliamentary Questions and Ministerial correspondence on the subject. A meeting of the All Party Forestry Group was convened in March at which we updated Members of both Houses on the situation and outlined the action being taken.

In addition to drawing up a Contingency Plan, which was completed shortly before the first infected tree was found, we set up a major survey to determine whether *P. ramorum* was present in the wider woodland environment. We planned to visit some 1,000 sites in England, Scotland and Wales where a comparison of climatic data from Oregon, where the disease is present, with long-term climatic data in Great Britain, indicated a high probability of survival of the pathogen. This survey, the largest and swiftest of its kind ever undertaken in response to a specific threat by the Forestry Commission was carried out between December 2003 and March 2004. At the end of the year the results



were still being analysed and will be reported in full in our next report. However, initial results indicated that no evidence of *P. ramorum* had been found at over 1200 locations sampled where trees were found to be growing in association with rhododendron. Samples were analysed either at Defra's Central Science Laboratory or the Scottish Executive's Environment and Rural Affairs Department's Scottish Agricultural Science Agency laboratory (see page 13, Research).

# Forestry Commission Organisation and People



## The Board of Forestry Commissioners

**T**he Commissioners agreed that it was appropriate to reduce the number of their Board meetings this year as many of the country-specific issues they dealt with prior to the Forestry Devolution Review were now the responsibility of the newly-formed National Committees for England, Scotland and Wales. Further information on the National Committees for Scotland and Wales are given in the Forestry Commission Annual Reports for these countries, while information on the England National Committee is given at Appendix 3 of this Report.

The Board of Forestry Commissioners met in April, May, July, and December 2003, and in March 2004. (A Board meeting scheduled for October 2003 was cancelled.) At their meetings, the Commissioners discussed a range of forestry issues, including the social and environmental benefits of forestry in Great Britain, the re-organisation of the Forest Research Agency, health and safety in forestry operations, the work of the Commission's Audit Committee, projects for the Commission's Advisory Panel, and the GB-wide implications for the Commission arising from the Haskins Review ([www.defra.gov.uk/rural/ruraldelivery/report/](http://www.defra.gov.uk/rural/ruraldelivery/report/)).



## The Executive Board

The Executive Board (EB) was appointed from 1 April 2003 as part of our Governance re-structuring as a result of the implementation of the recommendations of the Forestry Devolution Review. The members are the Executive Commissioners (Director General, who chairs, and the three Country Directors), the Chief Executive of Forest Research and the Heads of Finance, Personnel Development and the Secretary to the Commissioners.

The main aim of the EB is to assist the Director General and Country Directors in the effective management of the Forestry Commission in order to provide leadership for the Forestry Commission as an organisation, in particular setting policy on corporate matters.

To this end, the EB discussed a wide range of issues during the year, including the Tomorrow Project, Forestry Research Strategy, Manpower Planning, *P. ramorum*, Health and Safety, the Connect Initiative and delivery of shared services within the Forestry Commission. EB agendas, minutes and non-confidential papers are available on our Internet site ([www.forestry.gov.uk/website/meetings.nsf/LUCommittees/Executive%20Board?OpenDocument&Year=Other](http://www.forestry.gov.uk/website/meetings.nsf/LUCommittees/Executive%20Board?OpenDocument&Year=Other)).

## Forestry Commissioners' Advisory Panel (FCAP)

Following a brief pause during the Forestry Devolution Review the FCAP resumed activities in accordance with its revised Terms of Reference. A new Panel was appointed for a three-year term with effect from 1 August 2003. Tricia Henton, formerly Chief Executive of the Scottish Environment Protection Agency, chairs the panel of 15 members selected from a comprehensive range of forestry related backgrounds.

The new Panel members met for the first time on 30 October 2003 and discussed Renewables/Biofuels and also considered what the Panel's future programme should be.

The second meeting of the FCAP took place on 28 January 2004 and matters discussed included future issues for forestry, skills and competencies, development of new markets and international obligations of the Forestry Commission.

Membership of the FCAP is noted in Appendix 3.

## Shared Services








As reported last year, we extensively reviewed and restructured the organisation to enable us to continue to improve delivery of the country forestry strategies in England, Scotland and Wales. A significant component of implementing the Forestry Devolution Review's recommendations was identifying which functions were to be devolved and which were to be completed at a GB level,



either because they involve tasks which had not been devolved, or where there was agreement that the function should continue to be GB funded.

Of the functions that were devolved, some were designated as 'Shared'. These functions were defined as those where a single provider provides the best solution, in terms of practicality, cost or the needs of stakeholders although primary direction came from the countries.

Seven areas of work were identified as Shared Services:

-  Finance and accounting services;
-  Information and communications technology;
-  Personnel Development and Forestry Training Services;
-  Communications;
-  Grants and Licences;
-  Operational Support; and
-  Business Units (covering Mechanical and Civil Engineering and nurseries).

For each of the Shared Services a Service Board was formed, composed of representatives, or 'Intelligent Buyers', from the countries, Silvan House and Forest Research together with the service provider. The Boards have joint accountability for the operation of these services to ensure that the needs of customers and the wider organisation are met.

## Improving Delivery of Services

Our programme of improving the delivery of our services continued during the year.

Follow-up action to our second staff survey was undertaken with each country and our Research Agency taking forward their own programmes. Individual managers decided their own priorities and called upon the central Change Support Team for assistance when required. Numerous managers used the evidence from the survey to review their communication and management practices. During the year the Change Support Team became involved in facilitating team meetings and helping teams take forward their ideas for improvement. About 15 teams took advantage of this service and local initiatives of this kind continue.


The main central initiatives included:


-  continuing with development of leadership skills across the organisation. A further eight 'Valuing and Supporting People and Change' events were held - attended by 113 people. Since this programme began in year 2001 over 550 managers of all grades have participated in these leadership development events;
-  re-assessment of our Investor in People accreditation was carried out in three stages - the main department, Forest Enterprise Executive Agency (both during 2002 - 03) and Forest Research Executive Agency in June 2003. We have subsequently decided to internally assess our performance against the standard in








future and 16 people will be trained and accredited by liP as internal assessors in May 2004;

 a Learning Strategy was drafted during the year and after consultation with managers and staff will be launched in the near future. The Action Plan for year 2004 - 05 is the starting point for creating a culture of lifelong learning in the Forestry Commission - it will be revised annually thereafter. The Plan for the first year will explain how we intend to provide opportunities for staff to gain vocational qualifications under the national skills agenda and will outline the support available to help staff improve their basic skills in numeracy and literacy;


 completion of our First Equal Pay Review led to the preparation of an Action Plan aimed at addressing the gender pay gaps identified;

 introduction of a new Flexible Working strategy, which aims to extend existing opportunities and introduce new options for staff and managers to discuss and agree alternative working patterns which meet business needs and improve staff's work/life balance;

 continuing to work towards our 2005 targets for sickness absence rates and most notably our medical retirements have reduced to 2.48 per 1,000 staff;

 during the year we published our Race Equality Scheme, along with background information relating to our business and in doing so we have identified key

priorities and actions which will enable us to meet the general duty and our specific duties under the Race Relations (Amendment) Act; and

 providing staff with guidance on what disability means in terms of the Disability Discrimination Act (1995, UK) and asked those with a disability to 'self declare'. This information will enable us to make adjustments and alterations where this would be appropriate.

## Review of the Administration of Grants and Licences

Work continues on the development of the new IT system known as GLADE (Grants and Licences Administration Delivered Electronically). The aim of GLADE is to allow map-based and textual grant scheme and licence application data to be exchanged between applicants and the Forestry Commission. This is expected to yield both financial and non-financial benefits to both applicants and Forestry Commission staff alike.

In parallel to the GLADE development, we are developing new grant schemes for England (*England Woodland Grant Scheme*) and Wales (*Better Woodlands for Wales*). Close liaison and integration between the various teams responsible for these different areas of work is achieved through an overall Programme Steering Group. This management group has representatives from each of the countries, to ensure delivery of country business requirements, with the Forestry Industries Development Council representing the interests of the industry.



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



The country projects to launch the new grant schemes will include close liaison with the industry in the development of suitable training to meet the changes in the technology and associated working practices. The work will be led by business change managers who have been appointed for the duration of the Programme. They will work with local managers, agents, applicants and other stakeholders to communicate and assist the implementation of changes within their workplaces.

## Regulatory Reform Action Plan

The Forestry Commission has a number of initiatives which are contributing towards the Government's Regulatory Reform Action Plan. These include:







-  exploring a mechanism which might allow us to amend the Forestry Act 1967 to remove legislative barriers that prevent the Forestry Commission from participating in joint business ventures or forming companies to facilitate partnership working to utilise resources in the public interest;
-  the GLADE Project which will reduce the burden of red tape on woodland owners and managers;
-  a joint Forestry Commission/Defra review of grants to ensure that grants support

the English Forestry Strategy and reduce the administrative burden on applicants;

-  harmonised quarantine controls on the use of wood packaging used in international trade; and
-  proposals to harmonise EU controls and charging for the imports of timber.

The matters are reported on in more detail in other sections of this Report.

## Senior Staff Appointments

-  Simon Hewitt was appointed Director Wales, Paul Hill-Tout was appointed Director England and Dr Bob McIntosh was appointed Director Scotland on 1 April 2003;
-  Martin Gale was appointed a Non-executive Forestry Commissioner to the Board of Forestry Commissioners on 1 May 2003. He is also a member of the National Committee for Scotland;
-  Professor Jim Lynch was appointed Chief Executive of our Forest Research Agency on 1 July 2003;
-  Wilma Harper was appointed Secretary to the Forestry Commissioners on 27 August 2003;
-  Tim Rollinson was appointed Director General of the Forestry Commission on 1 February 2004; and
-  Dr Hugh Insley was appointed Chief Executive of the Forest Enterprise Agency for Scotland on 17 March 2004.



## Forestry Training Services (FTS)

FTS has a strategic role in providing learning, training and development opportunities for Forestry Commission staff. We have worked with the Change Management team and others to develop a Learning Strategy. This Strategy is designed to make the Forestry Commission a life long learning organisation. Two practical first steps have been taken:

- 🌲 the appointment of a Learning Advisor as part of the FTS team; and
- 🌲 the appointment of Training Co-ordinators at all our Cost Centres.

FTS works with others to develop and deliver best practice in the Forestry Commission and wider industry. We have four training centres and offer services to Scotland, England and Wales. FTS is customer focused and consequently delivers training events at locations chosen by our customers. We delivered 8,537 training days in 2003.

Developments in 2003 included:

- 🌲 a Learning Strategy;
- 🌲 a 'New Entrant' event as part of our induction process;
- 🌲 a new Native Woodland course;
- 🌲 four training modules called 'Engaging People in Forestry'; and
- 🌲 working with Lantra (Skills Sector Council) and the industry to develop
  - Modern Apprenticeships in Forestry; and
  - S/NVQ at level 4 in Forestry.

## Safety, Health & Environment

### Policy

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

### Programmes

During the year the Safety, Health & Environment team completed a programme of worksite environmental audits and carried out an audit of the Forestry Commission estates work. The estates audits included looking at construction and building work, sporting lets and leases.

The Safety, Health & Environment team has worked with Forest Districts, Forestry Civil Engineering and Forestry Training Services to improve the management systems when working near overhead electric lines and underground electric cables. Safety guidance has been revised and staff have been trained. We are also working to improve our relationship with the electricity companies.

### Accidents

The following figures set out the incidence of reportable accidents (those causing incapacity for more than three days) for all staff in 2003 - 04 and the preceding years. The overall decline in accident rates is encouraging and can partly be attributed to the higher profile afforded to health and safety in forest operations and in other parts of the Forestry Commission's undertaking.







Year	No of accidents per 100 employees
2003 - 2004	0.93
2002 - 2003	1.01
2001 - 2002	1.10
2000 - 2001	1.66
1999 - 2000	1.64

# The Forestry Commission in England

## Introduction by Paul Hill-Tout, Director England



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

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

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

We have continued to focus on the means by which the delivery of our policy aims can be improved. As Lord Clark mentioned in his foreword to this report, we have been working very closely with the Department for Environment, Food and Rural Affairs (Defra) throughout the year to ensure the distinctive and complementary role of the Forestry Commission is deployed to best effect in the delivery of government policy in the light of Lord Haskins' Rural Delivery Review.



Following the reviews of woodland management and support for woodland creation undertaken last year, we have commenced a major overhaul of our grant systems and to develop the English Woodland Grant Scheme (EWGS). This new scheme will assist in the implementation of many of the recommendations arising from the two earlier reviews and help to improve our ability to delivery policy priorities. The popularity of woodland grants has continued with an increasing percentage of approved schemes being implemented. As a consequence, claims exceeded published budgets and grant payments were suspended from February until April.

Perhaps the most significant development within forestry policy this year has been the decision, based on joint work with English Nature, to put ancient woodland at the heart of forestry policy in England. This will guide much of our development work in the coming years.

Reflecting the cross-government nature of the England Forestry Strategy we have continued our development of closer working relationships with a number of departments and agencies. Our concordat with Defra has been strengthened, we have renewed the concordat with English Nature and have developed a Framework with Government Offices for the Regions. This co-operative approach to the delivery of policy is being very clearly expressed in the development

of Regional Forestry Frameworks, the first of which has now been launched in East England. Our co-operative working has also extended within the wider forestry sector with the development of the English Forest Industries Partnership.

The continued evolution of our working arrangements will ensure that we are well placed to deliver public benefits from woodland within an integrated and devolved approach to land management



Paul Hill-Tout  
Director England

# General Review



## Economic Analysis of Forestry Policy in England

**A**n economic analysis of forestry policy in England was undertaken for Defra and HM Treasury. This examined the economic rationale behind Government's policy goals for forestry, set out in the England Forestry Strategy 1998, together with forestry's contribution to wider Government strategies for sustainable development. The costs to society and the environment of supporting these goals were assessed, as were society's requirements from England's forests.

The analysis took the form of an independent review and interpretation of published economic research on the performance of forestry in England. It formed part of the Review of Forestry Arrangements in England, which is informing the Rural Delivery Review.

The Report<sup>3</sup> concluded that the main case for government intervention in forestry is to deliver public goods in the form of urban and peri-urban amenity, recreation and biodiversity. The case for intervention in timber production is considered to be very weak and restricted to situations where public goods are at risk (eg from lack of



suitable management). The Report recommends that the Forestry Commission England and its Forest Enterprise agency review their activities to deliver more focused and targeted intervention. New mechanisms of intervention may be required (eg to support benefits from urban tree planting) for which the Woodland Grant Scheme does not appear suitable in its present form.

## Regional Forestry Frameworks

Forestry Minister Ben Bradshaw launched the first of England's Regional Forestry Frameworks, *'Woodland for Life - the Regional Woodland Strategy for the East of England'<sup>4</sup>*, in November 2003 at our High Lodge Visitor Centre in Thetford Forest, Norfolk. Under the guidance of an inter-agency Steering Group, chaired by the Director of Sustainable Development and Rural Affairs in the Government Office for the Eastern Region, our East England Conservancy facilitated the preparation of the Strategy.

Regional Forestry Frameworks are expressions of the England Forestry Strategy at the regional level. They are being prepared in all Regions through an inclusive, government-led regional process, and expressed in a form that satisfies the needs of the regional agenda, government bodies and other key stakeholders. Those for North East and South East England and the West Midlands were subject to consultation from March to May 2004. All Regions should have completed the preparation process by March 2005.

## Review of the Rural White Paper

The Forestry Commission has contributed to the review of the Rural White Paper<sup>5</sup> to help improve the focus and delivery of rural policy. The Government commissioned the review in recognition of the rapid changes in England's countryside and communities over the last three years. Since the Rural White Paper was published, significant progress has been made across all four programmes of the England Forestry Strategy. A more integrated role for forestry and woodlands has developed in both rural and urban areas. The review acknowledged that the policy agenda for forestry has moved forward and the emerging Regional Forestry Frameworks will have a key role in ensuring that the wider policy aims are delivered in a way that is sensitive to local and regional needs. The opportunities woodlands provide for employment, education, health and recreation need to be exploited, along with efforts to diversify the range of economic goods they provide. There is also a need to find new ways to ensure ancient woodlands - those which have continuity back to the original wildwood, and are most valuable for wildlife and heritage - are managed and used sustainably.

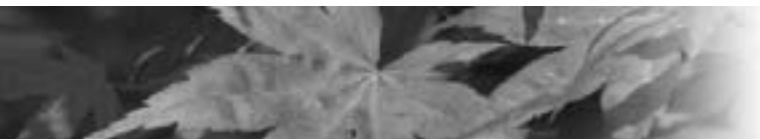
## London Regional Advisory Committee

In a continuing drive to promote the distinctive contribution that trees and woodland can make to the people of London we have established a new London Regional Advisory Committee to advise on woodland matters specific to our capital city. A new

<sup>4</sup> Available at: [www.woodlandforlife.net](http://www.woodlandforlife.net)

<sup>5</sup> *Our countryside the future. A fair deal for rural England.* Ministry of Agriculture, Fisheries and Food and the Department of the Environment, Transport and the Regions. London. Cm4909.





Conservancy for London was established in 2002 in recognition of the value which trees, woodlands and green space have in enhancing the social and environmental fabric of urban society.

## Concordats with Government Departments, Agencies and Offices

Considerable progress has been made during the year to develop closer working relations with a number of Government Departments, Agencies and Offices.

A Pathfinder Concordat between Defra and the Forestry Commission has established a framework for progressively integrating the work of officials in Defra, and its agencies, with us on matters relating to woodlands and forestry. The purpose of this Concordat is to put in place arrangements to ensure both that forestry policy fully reflects and contributes to wider policy aims and that rural, environmental and agricultural policies take full account of woodlands and forestry. The Concordat is a practical expression of how some of the conclusions from the 2002 Forestry Devolution Review are being implemented in England.

A Framework to integrate our regional policy interests with those of the Government Offices for the Regions (GORs) has been developed with Defra and GOR colleagues. The overall aim for this initiative is the closer involvement of the Forestry Commission in the GORs to support Defra in the achievement of the Government's sustainable development objectives and performance targets. In addition we will have

better input to cross-cutting programmes and the interests of other Departments in regional outcomes. The Framework guided each GOR and Conservancy in the preparation of a short Regional Action Plan, focusing on key policy delivery areas and examples of closer working practice.

## Public Opinion of Forestry 2003





Results in England from our latest Public Opinion of Forestry<sup>6</sup> survey showed that most people believe that the benefits of well managed forests are good reasons for supporting forestry with public money. The main reasons they cited were provision of wildlife habitats; opportunities for access and recreation areas; improving the landscape; and preventing global warming. Interestingly, only 16 per cent of respondents believed there had been an increase in overall woodland area in recent decades. The majority (61 per cent) believes there has been a decrease. Two thirds of respondents said that they would like more woodland in their part of the country. Two thirds of adult respondents had visited woodland for recreation in the last few years with peace and quiet, wildlife and attractive scenery cited as the most important factors when choosing to visit woodland. For the first time, the 2003 survey included data on each of the English regions.


# Sustaining England's Woodlands



## Sustaining England's Woodlands Review

**W**e are continuing to initiate and develop actions that were identified in our response to the Sustaining England's Woodlands Review<sup>7</sup>, in particular in relation to:

-  improving the evidence base;
-  enhancing engagement with owners and managers;
-  strengthening advocacy for woodlands and sustainable forest management;
-  developing new and stronger partnerships; and

 using Forestry Commission resources more effectively.

A detailed report on progress will be submitted early next year.

## English Woodland Grant Scheme (EWGS)

The revision of the Woodland Grant Scheme in England has been subject to a long development process that links back to publication of the England Forestry Strategy, the conclusions from the Sustaining England's Woodlands Review, the Woodland Creation Review and the Forestry Policy Review.

<sup>7</sup> *Sustaining England's Woodlands: Response of the Forestry Commission to the Steering Group Report*. Forestry Commission, Cambridge, 2002. Available at: [www.forestry.gov.uk/pdf/sustainreviewpart1and2.pdf/\\$FILE/sustainreviewpart1and2.pdf](http://www.forestry.gov.uk/pdf/sustainreviewpart1and2.pdf/$FILE/sustainreviewpart1and2.pdf)



We received 114 responses to public consultation on the EWGS proposals that we carried out at the end of 2003. A draft analysis of comments has been prepared independently and will be published on our Internet website. The large majority of respondents expressed support for the principles and structure of the proposed EWGS. Many, however, questioned whether the level of funding was adequate and, if not, how priorities would be set. Many comments and questions related to detailed implementation issues that will be addressed as the scheme documentation and supporting advice are developed during 2004.

The proposals have been submitted to the EU as part of the Defra ERDP modifications.

## Grant Aid under England Rural Development Programme (ERDP)

The ERDP sets out the government's support for agriculture, forestry and the rural economy over the period 2000 - 06. The programme includes the Woodland Grant Scheme (WGS) which provides incentives for people to create new and plan, manage and improve existing woodlands. Tables 1, 2, 3 and 4 show the main figures for grants paid in 2003 - 04, both in terms of area and money. Tables 2 and 3 also show trends over recent years. Overall grants totalling £20 million were paid out under WGS in 2003 - 04, 56 per cent going to new planting and 44 per cent to support the management of existing woodland.

## Mid-Term Review of the Common Agricultural Policy Reform

In June the Agricultural Council of the European Commission agreed a deal for the mid-term review of the Common Agricultural Policy (CAP). The deal represents one of the most radical changes to the agricultural support system in the UK since the 1970's. From January 2005 direct payments to farmers in England will be decoupled from agricultural production by the introduction of the Single Farm Payment. Woodland will not be included in the eligible farm area for calculation of the single payment, nor will new woodland be an eligible use for agricultural land within the single payment scheme. It will, however, remain an eligible use for set-aside land.

The Commission has been working closely with Defra to ensure that the implementation of the CAP reforms do not result in perverse effects which are counter to the Government's objectives for forestry. Issues include ensuring that woodland planted under our Woodland Grant Scheme and subject to the provisions of the environmental impact assessment legislation are exempt from the requirement to preserve the area of permanent pasture, and how grazed woodland will be treated.

Defra consultation on cross compliance conditions will also address when regeneration of trees can be considered 'wanted vegetation' and how trees and woodland on farms can be protected.



## Felling Regulations

We continue to exercise strict controls on tree felling. We approved 2,320 WGS plans during the year, of which 1,147 contained licences for 1,373 hectares of clear felling, 458 hectares of selective felling and 1,349 hectares of coppicing. We also issued 1,115 felling licences that were not linked to WGS plans, compared with 1,113 last year. These licences covered 411,640 cubic metres; 62 per cent of which related to unconditional thinning operations. We received 176 reports of suspected illegal felling from the public. After checking our record of approved felling, we investigated 38 in more detail. This year we sought 14 prosecutions and have 20 serious cases still to be resolved. In 12 less serious cases, we issued formal warnings to those involved. During the year, seven restocking notices were served following successful prosecutions. Our Conservators continued to receive forest design plans from Forest Enterprise for proposed woodland management operations. These plans are subject to external consultation on the same basis as private sector grant aid and felling licence applications. We have now approved plans covering more than 221,000 hectares, around 85 per cent of the Forestry Commission's estate in England.

# Forestry for Rural Development



**O**ur Rural Development programme covers forestry's role in the wider countryside, including its contribution to the rural economy. The programme focuses on the role of trees, woods and woodland businesses in the sustainable development of rural areas, and how both new and existing woodlands can be managed to deliver enhanced benefits to local economies. Of increasing importance has been the potential for the use of wood in energy generation. Our progress towards Corporate Plan targets for 2003 - 04 is shown in Table 5. Key achievements during the year are described below.

## English Forest Industries Partnership

The England Forest Industries Partnership is a new group whose development has been facilitated by the Forest Industries Development Council and the Commission over the last year. The Partnership works at a strategic level to strengthen the competitiveness of the England forest industries sector and its ability to contribute to the delivery of the Government's wider objectives as set out in the England Forestry Strategy. Terms of reference for the Partnership have now been agreed and a Partnership Manager will be recruited early in 2004 to drive forward and promote the



work of the partnership. Initial priorities for the Partnership Manager will be to develop an action plan for the group and to ensure the forest industry sector is effectively feeding into the development of Regional Forestry Frameworks.

## Sustainable Building Task Force

Following the Better Building Summit in October 2003, the Office of the Deputy Prime Minister (ODPM), Defra and the Department of Trade and Industry jointly announced the establishment of the Sustainable Buildings Task Group. The aim of the group is to recommend ways Government and industry can work together to improve the environmental performance of new and existing buildings. The particular issues the Task Group has been asked to consider are water and energy conservation, waste reduction and better use of timber and other construction materials. The Forestry Commission nominated Brian Woodley of the UK Timber Frame Association to represent the forestry and timber construction sectors on the Task Group and is providing technical support to the Task Group. The Group will present their final report to Ministers in spring 2004.

## Wood Energy

The Forestry Commission has continued to work closely with Defra, DTI, Government Offices, Regional Development Agencies and other partners to support the Government's ambitious targets for renewable energy production. Renewable energy from woodfuel has formed an important component of the

four regional forest frameworks that were out to consultation this year and four of the regions are developing separate woodfuel action plans with partners as part of concerted regional action. The Forestry Commission's theme for the Royal Agricultural Show 'Woodfuel Meets the Challenge'<sup>8</sup>, promoted the potential for producing woodfuel from woodlands and specially planted energy crops. This was to promote and support the award of £18.7 million of Bioenergy Capital Grants to five combined heat and power plants in England. Other highlights from the year are set out below.

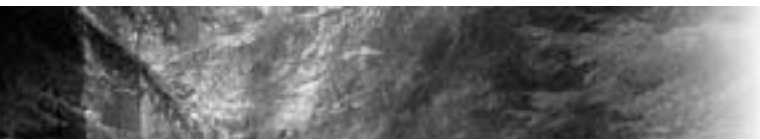
### Marches Wood Energy

The Parliamentary Under Secretary (Lords), Lord Whitty, launched the Marches Wood Energy Strategy and Marches Wood Energy Network in May, at an event to showcase Worcestershire County Council's state-of-the-art wood fuel boiler installation. In his speech Lord Whitty highlighted the importance of key players working together at a strategic level to encourage the development of a diverse energy supply. He also stressed the importance of woods, forests and farmland in providing fuel for the developing bio-energy industry. The Strategy was prepared by a partnership that includes the Regional Development Agency, Countryside Agency, Government Office and Forestry Commission.

### South East England Initiatives

In South East England the Regional Development Agency (SEEDA) and the Commission have been jointly facilitating a Regional Wood Fuel Networking Group for several years. This group was referred to in Defra's unpublished review of *'Front Line*

<sup>8</sup> *Woodfuel Meets the Challenge. The Quest for Sustainable Energy.* Forestry Commission, 2003. Available at: [www.forestry.gov.uk/woodfuel](http://www.forestry.gov.uk/woodfuel)



*Partnership Working* as a good example of regional partnerships. The review led to the creation of the 'Regional Wood Fuel Action Group' comprising the Government Office for the South East, SEEDA, Defra, DTI, ODPM and the Commission. An action plan has been prepared and each body is contributing resources to facilitate the delivery of a viable wood fuel industry in the south east. The networking group remains crucial and is likely to evolve in 2004 - 05 to include a wider cross section of partners.

Interest in wood as renewable fuel is developing at a considerable pace. Wood fuel is seen to play an important role in the Regional Renewable Energy Strategy; major users such as Slough Heat and Power have come 'on line'; and many small to medium scale opportunities for heat supply are being developed. The importance of the Community Renewable Initiatives (TV Energy and REACH - Renewable Energy Action for Communities and Homes), the Natural Light Project and County Councils cannot be understated.

## Heartwoods

The Heartwoods project, a regional woodland initiative in the West Midlands which will deliver financial and technical support to woodland and wood-related businesses as well as wider actions in respect of market development and sustainable woodland management, was formally launched at the Royal Show at Stoneleigh, Warwickshire in July. Heartwoods will, in due course, be a key delivery mechanism for actions under the West Midlands Regional Forestry Framework.

## UKWAS

Auditors have confirmed Forest Stewardship Council (FSC) Certification of our forest estate until November 2004. Annual surveillance visits to two Forest Districts were undertaken in October 2003 and reported that all Corrective Action Requests (CARs) had been closed out, with only a single new minor CAR raised. An EC-wide tender was completed for the contract to undertake Certification of the Forestry Commission estate for the next five years. It was awarded to our existing certifying body - SGS.

## Dean Softwood for Social Housing

Discussions are under way with architects in Cinderford over a proposal for the use of softwood grown in the Dean in local social housing projects. The first development is expected to be for around 60 houses at various locations throughout the Dean. Woodgate sawmill is pivotal to the success of this project, as it will convert the round timber into the finished building product. The expertise of our building surveyor was extremely valuable to demonstrate to architects the sort of building which can be constructed using locally-grown FSC certified timber, the new Forest Enterprise/RSPB Nagshead visitors lodge being a recent example. Forest Enterprise has earmarked 800 cubic metres of standing Douglas fir for this initial project for negotiated sale to Woodgate.

The local bio-fuels group is also looking to supply new wood chip burning boilers with chips from Woodgate sawmill. There is



a wood fuel boiler being installed at the Wilderness Centre at Plump Hill and there is the possibility of a similar system to heat the planned social housing scheme.

## Learning, Skills and Knowledge Review

As part of our role on the Steering Group for Defra's Review of Learning Skills and Knowledge for rural businesses, we held in October a joint workshop on training and skills needs for the forestry sector. Key points to come out of the workshop were:

- 🌲 the need for a Modern Apprenticeship Scheme for the forestry sector which properly recognises forestry technical skills;
- 🌲 the difficulty the forestry sector has had in accessing regional funding for training and the need for this to be addressed;
- 🌲 training and skills development will need to take into account the further skills needs emerging from the English Woodland Grant Scheme and other changes driven by Common Agricultural Policy reform; and
- 🌲 better access and more support for the forestry sector from government's existing advisory framework including Small Business Service and Business Links.

The outcome of the workshop fed into phase two of Defra's Learning, Skills and Knowledge action plan.

## New Forest Apprentice Forest Workers

Our New Forest District, working in partnership with the National Trust and Sparsholt College, has been successful in securing funds to train six apprentice forest workers. The first two apprentices under this scheme are now at work in the New Forest. Both are young people from the area and one is a practising commoner. The aim of this scheme, funded by Leader+ and SEEDA, is to train a new generation of craftsmen in the skills necessary to care for an area of land such as the New Forest.

Modern Apprenticeship Schemes in conservation and forestry skills have been widely discussed within the industry and by training providers for a number of years and this project offers a pilot opportunity for such schemes in the wider countryside management sector across the UK.

## Research

In preparation for the development of its Regional Forestry Framework, East England Conservancy, in partnership with the East of England Regional Assembly and East of England Development Agency, published their '*Wood Bank*'<sup>9</sup> report on 12th May. The report, undertaken by Professor Paul Selman and his team at the University of Gloucestershire, assessed the economic value of trees and woodland in the region to be £680 million per annum.

<sup>9</sup> *Woodland Wealth Appraisal for the East of England*. Final report to the Forestry Commission (East England Conservancy) and East of England Development Agency, 2003. Countryside and Community Research Unit University of Gloucestershire. Available at: [www.woodlandforlife.net/wfl-woodbank](http://www.woodlandforlife.net/wfl-woodbank).





In partnership with English Nature, East England Conservancy also published the results of a study into the 'Economic Impacts of Wild Deer in the East of England'<sup>10</sup>. The research, undertaken by the Environment Department of the University of York and the British Deer Society, provides an information base for the identification of regional management and research priorities to promote a sustainable and beneficial wild deer population in the East of England. It is estimated that the economic impacts of deer in the Region are a cost of £8.5 million, £4.5 million of which relates to road traffic accidents. The cost to forestry is estimated at £730,000 whilst the benefits to recreation and tourism are about £300,000. The work also highlights gaps in existing knowledge and makes predictions of the possible future impacts if deer populations continue to increase.

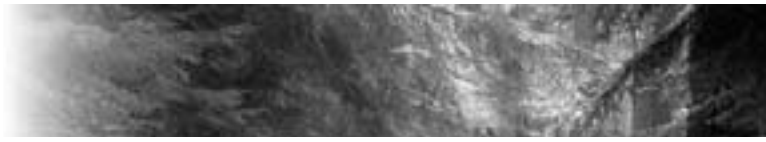
## Timber production

A total of 1.54 million cubic metres of FSC Certified timber were harvested from the Forestry Commission's forests in England. Our timber production supports significant employment and economic activity in harvesting, haulage and wood processing businesses throughout England. We see a viable and efficient harvesting and marketing sector as essential to undertaking and funding the sustainable management of woodlands, in pursuit of a wide range of objectives. 65 per cent of the volume was sold as standing trees with the balance coming from Forest

Enterprise's own harvesting activity. Thinning operations contributed 38 per cent of the volume. This demonstrates the continuing commitment to improvement of both timber quality and the landscape and environmental values of the nation's woodlands. In extremely difficult market conditions continuing from 2002 - 03, total timber income was £17 million. There is some indication, from sales towards the end of the year, that prices may have stabilised or be on a slight upturn.

131,000 cubic metres of hardwood was harvested during the year made up of both high quality stems for the bespoke building and furniture markets, and thinning of 3,000 hectares of younger woodlands to promote timber quality and improvement of biodiversity values. Sawmills are increasingly looking to us for supplies of FSC Certified hardwood needed to meet their customers' requirements.

The main problem for marketing has been poor progress on dispatch of conifer small roundwood for which there is an excess of supply in the market. This is a consequence of the closure of the Shildon chipboard plant earlier in the year; the switch to 100% recycled fibre at the Shotton newsprint mill; and a major move to sawmill chips by another significant small-roundwood customer. We are pursuing alternative markets, including short-term export opportunities and longer-term developments for wood energy production.



We are significant partners with a number of sawmillers who have significant investment proposals, and continue to work on a wide range of initiatives in the wood energy sector, although progress to completion remains slow. Supply commitment from the private sector will be a critical factor if these are to go ahead as the public estate now has a stable production forecast.

# Forestry for Economic Regeneration



Our Forestry for Economic Regeneration programme outlines a number of ways in which woodlands can contribute to strategic land-use planning. The programme's priorities include restoring former industrial land and creating green and attractive settings in which to attract inward investment. In taking this forward we have worked with the Office of the Deputy Prime Minister (ODPM), as well as Defra, on how we may best support the delivery of its action programme 'Sustainable Communities - Building for the Future'<sup>11</sup>. We see this as fundamental in progressing our aspirations for the delivery of the Economic Regeneration Programme of the England Forestry Strategy.

Progress has taken place within a rapidly evolving and potentially very positive policy context. Our progress towards Corporate Plan targets for 2003 - 04 is shown in Table 5. Key achievements during the year are described below.

## Newlands

Newlands, funded by the Northwest Development Agency and managed by the North West England Conservancy, is part of the Regional Development Agency's push to reduce the area of derelict land in the Region. The objective is to improve the image of the Region by restoring key strategic sites, with



an aim of encouraging inward investment and economic growth. We are the managing agents for the project and are working in partnership with those organisations best able to deliver and add value to the programme, including the Community Forests, Groundwork and Forest Enterprise.

The Deputy Prime Minister formally launched the first phase, Newlands 1, at the House of Commons in July. It is to be implemented over five years, has a budget of around £23 million and is operating across Merseyside, Greater Manchester and North Cheshire. It will lead to the restoration of 435 hectares of previously developed brownfield land to community woodlands offering social, economic and environmental benefits.

The project was used by ODPM as a case study in the February 2004 progress report on the Sustainable Communities Plan, 'Making it Happen: The Northern Way'<sup>12</sup>.

## ODPM Select Committee Inquiry on Coalfield Communities

In autumn 2003, we supported ODPM in preparing the Government's submission to the ODPM Select Committee inquiry on Coalfield Communities. This outlined the basis for our engagement in the Coalfields as well as providing examples of where we are delivering Coalfield Programme objectives through new community woodland schemes. One practical example of this is the well-established Forest Enterprise/Nottinghamshire County Council restoration initiative. As part of

this, Nottinghamshire County Council has leased to us the first of eight former colliery tip sites. Blidworth, extending to just over 100 hectares, is to the south east of Mansfield near the villages of Blidworth and Rainworth. Restored and planted by Forest Enterprise some five years ago, the site has become valuable community woodland with over 12 kilometres of paths and two kilometres of cycle routes, a link in the Sustrans network. The wood is well used by local people of all ages, and has made a real difference to their lives.

## Green spaces in Growth Areas

As part of the Government's broader agenda for housing provision in the South East of England we have engaged with local, regional and national partners to explore ways in which we may best be able to support the delivery of a quality green infrastructure through the provision of new woodland.

One tangible example of this has already culminated in the award by ODPM of some £11.5 million to deliver new or improved strategic greenspaces in the three housing growth areas: Ashford; Milton Keynes-South Midlands and the London-Stansted-Cambridge corridor. Of this £2.5 million is to be directed towards The Forest of Marston Vale in Bedfordshire. This funding will enable the Forest to rapidly complete the planting of the new 70 hectare Rectory Wood, next to Cranfield and support three new projects, all of which involve substantial tree planting.

<sup>12</sup> *Making it Happen: The Northern Way*. Office of the Deputy Prime Minister, London. February 2004. Available at: [www.odpm.gov.uk/stellent/groups/odpm\\_control/documents/contentservertemplate/odpm\\_index.hcst?n=4321&l=3](http://www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=4321&l=3)



In developing these projects The Forest of Marston Vale has brought together a range of public and private funding partners, enabling the ODPM grant to deliver projects with a total value of £7.4 million.

### **Green Arc**

'Green Arc', another example within the Growth Areas, is an exciting environmental project linked to major development that aims to realise a strategic role for green space across the urban fringe of north and east London and the adjoining green belt in Essex and Hertfordshire. It draws on the experience of Thames Chase Community Forest to the east of London, Epping Forest and the Lee Valley Regional Park to the north of London to promote the case for more extensive open access land.

Following a seminar hosted by the Greater London Authority, the partnership is now in a position to begin implementation of the Green Arc Plan. At present, we are working with partners to produce the next steps plan that will take forward the ideas suggested by the partnership. The first task will be to establish high level support from each of the partner organisations in order for the Green Arc Plan to become disseminated to the wider stakeholder groups. Once this process has begun, the partner organisations will take forward the proposals set out in the finalised Green Arc Feasibility Study, such as the identified strategic acquisitions.

### **Heywoods**

The Heywoods Initiative is an ambitious plan to make Hull and East Yorkshire a green and more pleasant place in which to live and work. This multi-agency partnership includes ourselves, the Woodland Trust, National Urban Forestry Unit, Hull and East Riding Councils, local businesses and community groups. It has produced a detailed plan of action that spells out the project's goals to transform the area through tree and woodland planting over the next three years.

### **Bulmer Forest Park**

Our Chairman, Lord Clark, planted the first tree in Bulmer Forest Park in the Great North Forest south of the River Tyne in December 2003. The Forest Park is being created by a private owner on 132 hectares of land at Stotfold Farm. In addition to the woodland, the park includes ten kilometres of new public access routes.

The planning of the park took around four years and involved extensive discussions with the private landowner, the Great North Forest and the local communities of Murton and Seaham. This is the largest community forest scheme agreed in England this year and will take two years to complete.

### **Roots**

Our Land Regeneration Unit, working with English Partnerships, has produced a new tool to aid the successful planting and establishment of woodlands. 'Roots' is



essentially decision support software for producing custom-built specifications and better quality woodland on brownfield land.

The software, based on current best practice detailed in documents such as Commission Bulletin 110<sup>13</sup>, provides extensive practical and technical support to users to assist in decision making. It provides a valuable educational resource delivering best practice to users at the most appropriate point of delivery. Information on comparative costs also features prominently.

## England's Community Forests

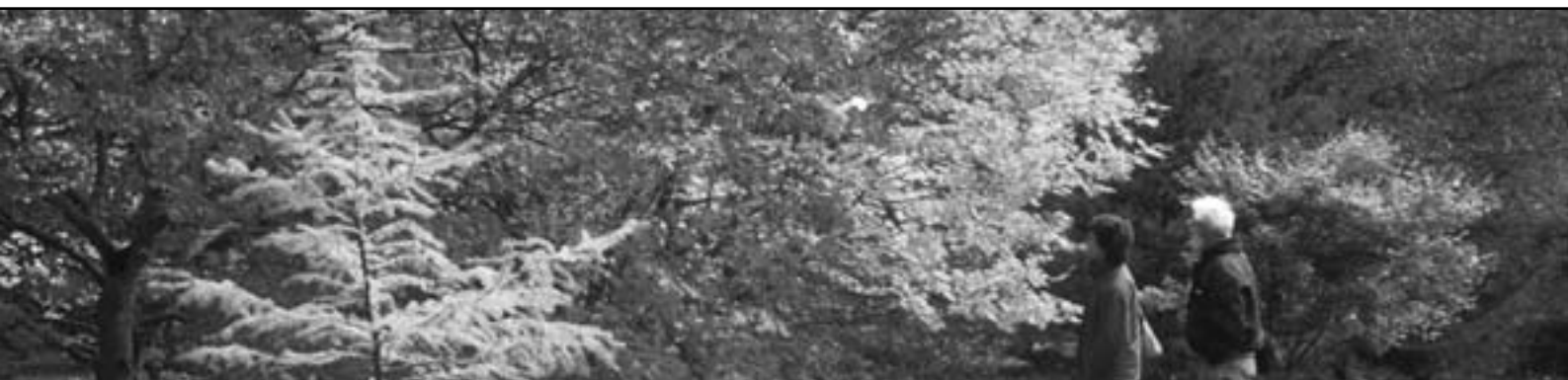
The 12 Community Forests across England have continued to develop. Over the past year nearly 3,310 hectares of new woodland has been established across the 12 forest areas. Over the same period a further 938 hectares of existing woodland was brought under enhanced management, 39 hectares of which had public access. In total 3,124 hectares was funded through the WGS. Planting on reclaimed land amounted to 39 hectares. Total planting in Community Forests since their inception in 1990 now totals more than 13,000 hectares.

Alun Michael, Rural Affairs Minister, announced an extra two years' funding for Community Forests in March. The original government commitment to core fund the pilot Community Forest Programme was for a fixed period of ten years until 2005. Future work on community forestry will fall within Regional Forestry Frameworks. The additional

funding, which is dependent on each Community Forest receiving the commitment of support from their local authority partners, will help the Community Forests to prepare for this transition. The Forestry Commission will administer and take the lead in government for the Community Forest Programme and community forestry more generally after the end of the pilot phase in March 2005.

<sup>13</sup> *Reclaiming Disturbed Land for Forestry*. Forestry Commission, Edinburgh. A J Moffat, 1994.

# Forestry for Recreation, Access and Tourism



**O**ur Forestry for Recreation, Access and Tourism programme promotes more and better quality public access to woodlands. It also includes opportunities for ensuring that woods and forests continue to be used for a wide range of recreational pursuits as well as supporting the tourism and leisure industries. Our progress towards Corporate Plan targets for 2003 - 04 is shown in Table 5. Key achievements during the year are described below.

## Forest Futures

As part of the Cumbria Rural Development Programme we have introduced the Forest Futures Woodland Improvement Grant to

operate throughout Cumbria. Woodland work supported by this grant include appropriate measures to enhance the rural economy, for example through commitment to improving access and tourism, measures to protect the environment and improve conservation, or to assist farm diversification.

## Ospreys and Kites

A pair of Ospreys returned again this year to Bassenthwaite in the Lake District and immediately started nesting. Their presence attracted a large number of visitors eager to catch a sight of these magnificent birds, which were also shown via a live video link to our Whinlatter Visitor Centre.



The Rockingham Kites project in Northants Forest District was also a major visitor attraction with live CCTV camera links to the nest site, although the Kites were uncooperative as they failed to use the nest site where the camera was originally set up.

## Forest Holidays

A search for a partner for Forest Holidays has led to the establishment of a 'Shadow Board' to run the project. The Board comprises four Commission staff (one representative from each country and a financial expert), two from Partnerships UK (a body established by government to help the public sector meet the challenges of public private partnerships), and two external non-executive members. The purpose of the Board will be to drive the project forward and the external members will provide a wider private sector view of the process.

Our 60-cabin site at Keldy in the North York Moors National Park was completely rebuilt in 2003, with money allocated by Treasury from the Capital Modernisation Fund, and is forecast to provide 50,000 bed nights per year.

## Visitor Centre Improvements

### Westonbirt

Westonbirt's new 'Maples' restaurant was opened early in the year. Complementing the traditionally built Great Oak Hall, this is a modern wooden building and the two represent a superb exposition of the quality of wood. 'Maples', which is proving very popular with visitors, is a beautiful, light building,

showing off its wood construction to the best - almost everyone comments positively on the wood and wants to know more.

### Whinlatter

John Craven, presenter of the BBC's 'Countryfile' programme opened the re-developed Whinlatter Visitor Centre, which includes the 'Osprey experience', in July with over 60 invited guests, and the media. The Centre is a £500,000 investment with funding from EU (ERDF), Cumbria Rural Development Programme, M-Sport and others. It comprises a much enlarged shop, new café and central interpretative area which houses big screens showing live pictures of the Osprey nest in the summer. It hosted a range of other activities in the winter from a rally car simulator to Santa's Grotto.

### Grizedale

Plans are under way to enhance facilities at Grizedale. A grant of £124,000 from Rural Regeneration Cumbria is assisting the early development phase. This project is scheduled for completion in May 2005.

### Dalby

The first phase of an ambitious project to create world class visitor facilities in Dalby Forest, near Pickering, North Yorkshire, has been given the green light. With support from the Government Office for Yorkshire and the Humber, Yorkshire Forward and Ryedale Council, we have agreed an £860,000 investment in the region's biggest public woodland. This will convert the buildings around the existing visitor centre into craft units, a resource centre, office space and a purpose designed bike hire outlet.





## Dedication of Our Estate as Open Access Land

Dedication of our freehold woodland estate, under Section 16 of the Countryside and Rights of Way Act 2000, as open access land has been agreed in principle. The date of dedication is dependent on funding and the establishment of the Countryside Agency's systems to manage restriction casework. Dedication of the estate will help to ensure that access on foot is provided in perpetuity.

### Chopwell Health Project

We are developing Chopwell Wood, near Newcastle upon Tyne, as a demonstration site for new approaches to achieve improved health benefits for local individuals and communities. We have invested £50,000 over two years to facilitate the development of new partnerships and activities working with the health sector. The funds have been used to support a Woodland Health Development Officer working closely with our staff, local Primary Care Trusts and other community health workers. The Friends of Chopwell Wood are involved in the pilot scheme to ensure the engagement of local people.

The project will be subject to ongoing evaluation, with a final report in 2006, by the Primary Care Development Centre at Northumbria University to ascertain the wider potential for health-related activity in woodlands and the range of partnerships that can be formed to achieve beneficial outcomes. This work will contribute towards building an evidence base for our intervention in the health agenda and thereby demonstrate to the wider health sector that forest and

woodlands can contribute towards meeting their targets and have a diverse role to play.

## Walk in the Woods

A study in the West Midlands has revealed that a walk in the woods can cut the risk of heart attacks. It is estimated<sup>14</sup> that the health benefits of walking and cycling in woodland beauty spots could be saving the health sector up to £45 million per annum in the region. The study, which was commissioned by Advantage West Midlands for West Midlands Conservancy, highlights the enormous value everyone gains from the region's trees and forests. It also shows the huge opportunities that exist for using woodlands to improve people's quality of life.

Following the publication of this study we have introduced a woodland-based health pilot, linking with the regional Walking for Health Initiatives (WHI). This provides grant support for promoting and encouraging health-related activity in woodlands. The pilot is targeted at areas in the West Midlands that ranked poorly for general health in the National Census and where there are already some WHI walk groups established. Seven projects have been supported and the scheme is being evaluated and will inform further work on the use of grants to achieve health outcomes.

## Green Wood Trust

The Greenwood 2000 project was a three-year programme of work centred on the three most deprived wards of Telford urban area. It aimed to introduce people from multiple



disadvantaged neighbourhoods to natural woodland and use that experience and the teaching of woodland crafts as a vehicle to develop skills and self-confidence. A report evaluating the achievements of the Green Wood Trust, and in particular the Greenwood 2000 project, has been completed<sup>15</sup>. The project successfully met many of its aims and objectives and was reported as having provided an enjoyable, rewarding and in some cases life-changing opportunity for the participants.

## Woods for People

We have supported the Woodland Trust with a project called Woods for People, which has collected data on accessible woodland. Over two years all local authorities together with many other non-governmental organisations (eg RSPB, Wildlife Trusts and the National Trust) and woodland owners and managers have been contacted and asked to provide information on woodland open for access. These data have been combined with information on our estate, the Woodland Trust estate and access supported by the Woodland Grant Scheme and overlaid in a geographic information system with our National Inventory for Woods and Trees (NIWT) spatial dataset. Although the data are not fully complete, the indications so far are that over 48 per cent of the woodland included in the NIWT appears to have some form of access.

The Woods for People data will help determine where access is currently provided, which will indicate where new

access may be required, new woodland should be created or where improvements to the quality of provision are needed. The Woodland Trust is developing accessible woodland standards that, together with the Woods for People data, will help set access targets at a local level.

We are also developing national social priority areas where we can target resources to provide access in areas of social deprivation (for example health inequalities) and where accessible woodlands can provide high public benefits and are able to contribute to wider social objectives.

## Interactive Experience - Westonbirt

For many years visitors to our Westonbirt Arboretum in Gloucestershire have been able to look up information about its 18,000 plants on paper maps and lists located in the Great Oak Hall. Over the last couple of years all the information has been converted to a geographic information system linked to a comprehensive database. This is now available to visitors on a large screen at the arboretum. All visitors can now look at the wealth of information about the collection including how to find features and trees on the ground. This is a developing project and will be available through a specially designed web site, to include all sorts of information on the range of facilities at the arboretum from where to find the famous Acer Glade to what's on the menu in the restaurant today!

<sup>15</sup> *Report on the Work of the Green Wood Trust in Community Education and Development: With Special Reference to Greenwood 2000.* Report to the Forestry Commission and Small Woods Association, February 2003. The Green Wood Trust, Telford.



## New Forest Interreg

Launched this year, the New Forest Interreg Project aims to reconcile high levels of demand for recreation with those of wildlife conservation on Natura 2000 sites. The project will investigate in two countries issues associated with managing recreational pressures in two forests with exceptional high levels of use - the New Forest and Fontainebleau in France. It will study visitor behaviour, propose and trial management approaches to reduce impact and test and improve communications with visitors and local people.

The total project budget is about £2.6 million (50 per cent Interreg funded), of which our proportion is 42 per cent making us the largest single partner. Other partners include the Countryside Agency, the French Forest Service and the French Department of Tourism (for the Fontainebleau area), and Alterra (a Dutch research institution).

## Concerts

The year saw another successful concert programme with Jools Holland and Status Quo at the core. The venues were High Lodge, Thetford, Norfolk; Sherwood Pines in Nottinghamshire, Bedgebury in Kent and Delamere in Cheshire. The Delamere concerts were held on newly acquired land. As in Thetford, where Breckland District Council see the concert series as a major contribution to local life, at Delamere, Vale Royal Borough Council waived the entertainment licence charges because the concerts contribute to their key target of raising the Borough's profile.

The concert tour attracted significant media interest through local TV, radio (including an interview with the BBC World Service), the music press and local newspapers. National television covered the Thetford Jools Holland concert which coincided with the receipt of his OBE.

## Forest Festivals

### Westonbirt International Festival of Gardens

The Westonbirt International Festival of Gardens continued to be a success. Visitor numbers overall were broadly similar to last year's inaugural event. Press response was favourable and echoed that of visitors who were surveyed. The quality of design and construction was higher than last year leading to far higher satisfaction levels. The festival was the subject of an hour long Gardeners' World special in August.

### Westonbirt Festival of Wood

The National Arboretum, Westonbirt, ran a successful Festival of Wood during the August Bank Holiday weekend. Twelve sculptors participated in creating giant sculptures from trees felled in the arboretum over the year. The event, sponsored by UPM Tilhill, raised funds for the charity Tree Aid through an auction of the sculptures. Tree Aid supports projects to tackle environmental degradation and rural poverty in West Africa. A total of £17,000 was raised for the charity this year bringing the total funds raised through the event to over £100,000.



### **Bedgebury Treemendous**

The National Pinetum, at Bedgebury in Kent, was awarded 'Attraction of the Year 2003' by Tunbridge Wells Borough Council. Visitor numbers increased by 11 per cent this year in the face of very stiff competition from the 420 other attractions in Kent, many of which saw numbers declining.

### **Kielder**

Kielder Forest Festival in Northumberland was a one-day event this year with 2,500 people attending. Of these, 300 visited the forest open day site where there was an hour and a half demonstration of forestry. A display of our customers' end products created a lot of interest, as did the South West England Axe Team.

### **Chopwell**

David Bellamy opened Chopwell Forest Festival near Newcastle in July. It attracted nearly 7,000 people over the two days (over 2,000 on Saturday, nearly 5,000 on Sunday). The car park had never been as full, indicating that people were staying longer.

### **Arts and Architecture - Kielder**

The latest addition to the arts and architecture programme at Kielder Forest Park was opened in June. Situated in the grounds of Kielder Castle, the challenging new £125,000 contemporary Minotaur Maze is constructed of rock filled steel cages with a centrepiece of 20 tonnes of recycled glass. Minotaur is the creation of London-based architect Nick Coombe and Scottish-born artist Shona Kitchen. Commissioned by the

Kielder Partnership, the work was funded by the Royal Society for the Arts, One North East, Arts Council England, various Arts Trusts, Northern Rock Foundation, Leader Plus, Forest Enterprise and Tynedale Council. It was built by local firm TK Builders of Bellingham, supervised by Forestry Commission Civil Engineers.

### **Go Ape**

Building on the success of the first high ropes course at High Lodge, Thetford, last year, new sites at Sherwood and Grizedale are now open. Grizedale, the most dramatic site so far through a combination of slope and tall Douglas fir, got off to a very quick start, thanks in part to the excellent pre-Easter weather.

### **Pirelli International Rally**

The Pirelli International Rally was held in Harwood and Kielder Forests on 25 and 26 April with 120 cars competing. For the first time it included special stages in darkness (and fog as it happened) on the Friday evening. Saturday had excellent weather and attracted about 3,000 spectators.

### **Mountain Biking - Chopwell**

Mountain bikers at Chopwell Woodland Park near Newcastle, working with our recreation ranger, have completed the construction of an 800 metre 'freeride' mountain bike track. It is intended that the track will eventually extend to 1,500 metres.



## Cannock Chase Cycle Centre

We are working jointly to implement a cycling strategy for Cannock Chase Area of Outstanding Natural Beauty (AONB) in partnership with the Local Authorities and the AONB management team. A new cycle centre building, occupied by a local cycle company, was opened at Easter. The cycle centre hires bikes and has maintenance and wash down facilities. Advice is given on where cyclists can go as well as providing training courses to bikers. The aim is for the centre to become the focus for responsible cycling on the AONB and early results are encouraging. Cycle trails have been constructed with the help of cycling volunteers to try to attract cyclists onto our land and away from the very sensitive heathland conservation areas. To date some seven kilometres of trail have been complete with a further approximately 20 kilometres still to be constructed.

# Forestry for Environment and Conservation



The Forestry for Environment and Conservation programme embraces the role woodlands can play in conserving and enhancing the character of our environment, our cultural heritage, and in delivering against the government's international commitments on biodiversity and climate change. Our progress towards Corporate Plan targets for 2003 - 04 is shown in Table 5. Key achievements during the year are described below.

## Accord with English Nature

Our 'Accord' with English Nature has been renewed through the publication of a Joint

Statement of Intent<sup>16</sup>. This sets out our shared aspirations, areas of joint working and complementary performance targets. A joint Action Plan for 2003 - 04 accompanied the Statement.

## England Biodiversity Strategy and Native Woodland Habitat Action Plans

The Forestry Commission leads delivery of the woodland sector of the England Biodiversity Strategy, and chairs the England Woodland Biodiversity Group. Regular reports of progress with the Action Plan are made to Defra, and most 'policy priority issues' are rated as Green or Amber - ie good progress

<sup>16</sup> A Joint Accord Between English Nature and the Forestry Commission (England). Available at [www.forestry.gov.uk/pdf/en~jsi.pdf/\\$FILE/en~jsi.pdf](http://www.forestry.gov.uk/pdf/en~jsi.pdf/$FILE/en~jsi.pdf)



or reasonable with some aspects still to be resolved. We also lead for the native woodland Habitat Action Plans in England, and have been developing our thinking on targets in advance of the 2005 review of all BAP targets. The means of improving our evidence base, and reporting activity and assessing outcomes have all been under active development.

## Ancient and native woodland policy

Working with colleagues in English Nature and Defra, we are sharpening policy on ancient and native woodland. Work to date has concentrated on collating and updating our guidance on the management of ancient and native woodland. This development is aimed at putting ancient woodland at the heart of forestry policy in England.

The Woodland Trust, with support from English Nature have seconded one of their staff to the Forestry Commission for two years to assist with the development of ancient woodland policy and its expression in regional strategies and delivery mechanisms. The South East region, with 40 per cent of the ancient woodland resource, will be a focus for delivery and an Ancient and Native Woodland unit is being established. This will develop new methods of engaging with owners of ancient woodland, and explore ways of prioritising and targeting delivery.

## SSSI Condition Target

In March 2003 English Nature completed assessments of all Sites of Special Scientific Interest (SSSI), and they have been able to hand on a complete spatial dataset to the

Commission. There are 115,000 hectares of 'woodland SSSIs' of which 41,000 hectares are on our estate. Overall 72 per cent of woodland SSSIs are in 'favourable or recovering condition'. Our estate also includes 27,000 hectares of other habitats (particularly upland grassland, lowland heath and bog) of which 67 per cent are in 'favourable or recovering condition'. Attention is also being focused on the non-woodland SSSIs where 'forestry' is cited as the principal reason for the SSSI not being in favourable condition. Work is under way to provide more information on the causes of unfavourable condition, in order to shed light on the action required to achieve favourable condition. Forest Enterprise carried out an appraisal of all the SSSIs on the Commission's estate, both woodland and non-woodland. With input from local English Nature staff they have produced a database listing the reasons for unfavourable condition, the work required to achieve favourable condition and outline costings.

## Areas of Outstanding Natural Beauty (AONB)

In partnership with the Countryside Agency we are establishing four new woodland posts in AONBs. One person, based in the AONBs of SE England, was in post throughout the year, and one key output to date has been identification of landscape-scale target areas for priority species. The remits and roles of the other posts, located in the North Pennines/Northumberland Coast, South Devon/Tamar Valley and Chilterns/North Wessex Downs, were finalised during the year.



## Deer Management

We undertook a joint three month consultation with Defra on *'Achieving the Sustainable Management of Wild Deer in England'*<sup>17</sup> starting in January 2004. The main driver for the review was the continued growth in the wild deer population and the increasing problems that this is causing. The review was timed to coincide with a formal evaluation of the Deer Initiative - a broad partnership of statutory, voluntary and private interests which aims to ensure a sustainable, well managed wild deer population in England and Wales.

The consultation considered all aspects of the Government's role in deer management and advice including legislative measures. The Government's principal role is strategic: "to ensure that there is an appropriate legal framework; to provide informed advice and guidance; to encourage co-operation; and to promote best practice. The practical management of wild deer, like other wildlife, remains primarily the responsibility of landowners and occupiers".





## Woodland Birds

We have a target for Spending Review 2002 to "reverse the long-term decline in the number of woodland birds by 2020 as measured annually against underlying trends". This mirrors Defra's high profile Public Service Agreement target to reverse farmland bird declines by 2020. We are working increasingly closely with Defra and the Woodland Bird Group in achieving these inter-related targets.

The first year's survey work of the National Woodland Bird Survey carried out by RSPB and the British Trust for Ornithology was completed with full owner co-operation on all except one of the 350 sites. Results will be published as soon as they have been analysed. Media coverage has been good and is ongoing.

## Strategy for New Forest

A revised 'Strategy for the New Forest'<sup>18</sup> was launched in June, which has an overall vision to safeguard the special character of the New Forest, supported by four overall aims comprising:

-  'Working Together';
-  'Conserving the Forest';
-  'Living and Working in the Forest'; and
-  'Enjoying the Forest'.

The geographical area covered by the Strategy is that identified within the New Forest National Park (Designation) Order 2002. The Strategy, co-ordinated by the New Forest Committee, is relevant to the current needs of the New Forest, is compatible with our 'Management Plan for the New Forest Crown Lands' and can also act as a stepping stone towards a National Park Management Plan if required. Many different interested parties will need to participate in taking forward the proposals.

<sup>17</sup> *Achieving the Sustainable Management of Wild Deer in England*. Available at [www.defra.gov.uk/corporate/consult/wild-deer/index.htm](http://www.defra.gov.uk/corporate/consult/wild-deer/index.htm)

<sup>18</sup> *Strategy for the New Forest*. New Forest Committee, Lyndhurst, Hants, 2003. Available at [www.newforestcommittee.org.uk/strategy.html](http://www.newforestcommittee.org.uk/strategy.html)





## Savernake Grazing Trial

Following the failure of the first grazing trial through a combination of sabotage of the fence and lease problems, agreement was reached with the landlord for a second trial. A new site was agreed and with funding from English Nature a new fence was erected and the trial is now up and running, with several white park cattle in the enclosure and no problems with fence cutting so far.

## Kielder Conservation Award

Kielder Forest District has won first place in the business category of the inaugural Northumberland Wildlife Trust Conservation Awards 2003, sponsored by the utility conglomerate npower. Judges acclaimed the Commission for viewing wildlife as an asset and taking an innovative and pre-emptive approach to tackling conservation issues, particularly efforts to save internationally important bogs and mires and to secure the future of the red squirrel.

We spearheaded a four-year multi-agency bog restoration project funded by the EU's LIFE scheme. It has led to the reinstatement of 200 hectares of wetland areas by removing trees and installing dams. Funding partners are now being sought to help create a further 600 hectares.

Moves to protect red squirrels have involved planting small seeded conifers, such as Norway spruce, and adjusting felling plans using computer-modelling tools to make Kielder even more 'red friendly'.

## Bat Colony - Westbury Brook Iron Mine

Westbury Brook iron mine is part of an extensive system of underground works on the eastern flank of the Forest of Dean. It was abandoned in 1899 but the entrance to the shaft was re-opened some 30 years ago and the mine was rapidly colonised by Lesser and Greater Horseshoe bats. It was subsequently designated a SSSI and, in 1997, a Candidate Special Area of Conservation. Following an inspection in November 2002 it was apparent that the shaft walls were deteriorating and access to the mine for the bats was in jeopardy.

Following discussions between the Deputy Gaveler, HM Inspector of Mines and English Nature remedial work was put in hand. The work comprised lining the two unstable sections of the shaft with a four-metre length of one-metre diameter culvert, and placing 50 tonnes of concrete around it including a steel arch access route. The bats were in residence during the work, and have subsequently used the shaft to exit for feeding.



# Appendices



## APPENDIX 1

### The Role and Structure of the Forestry Commission as at 31 March 2004

**A**s 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 as at 31 March 2004

#### Board of Commissioners

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

#### Forestry Commission GB and Central Services

Wilma Harper	Secretary and Head of Director General's Office
Jim Anderson	Director Personnel Development
Keith Gliddon	Director Finance
Alan Mitchell	Head of Business Services
Liz Holmes	Head of Internal Audit
Roger Herbert	Head of Country Services

#### Forestry Commission England

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



## Forestry Commission Scotland

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

## Forestry Commission Wales

Simon Hewitt	Director Wales
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## Business Units

Craig Heaney	Director Business Units
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## Forest Research Agency

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



## APPENDIX 3

### Statutory and other Committees appointed by the Forestry Commission

#### Membership at 31 March 2004

#### National Committee

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


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


#### England

Lord David Clark (Chair), Tony Cooper, Gerald Dawe, Dr Victoria Edwards, Geoff Hatfield, Paul Hill-Tout, John Scotney, Judith Webb, Alan Taylor (Defra Observer). Secretary to the Committee: Mark Pritchard. The current Committee was appointed on 21 August 2003 as a result of the Forestry Devolution Review. It held meetings in September and November 2003 and February and March 2004. It also held meetings in April, May and July 2003 in preparation for its formal appointment in August.

#### Regional Advisory Committees

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

 a. to advise the Forestry Commissioners on the performance of the Forestry Commissioners' functions under Section 1(3) and Part II of the Forestry Act 1967;

 b. to advise the Forestry Commissioners on such other functions as the Forestry Commissioners may from time to time determine. These additional functions include:

conciliate in all disputed applications for grant aid, felling licences or approval of plans of operations under a closed grant scheme where there is a sustained objection by a statutory body; and advise the Forestry Commission on other applications when asked to do so by the Conservator;

advise the Forestry Commission on the implementation at regional level of national forest strategies and associated policies, together with any expressions of these in regional forestry frameworks;

advise on a small number of specific topics and issues which Forestry Commissioners will select, focusing on regional issues or implications; and

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



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

Note: New Regional Advisory Committees were appointed on 1 December 2003, including the establishment of a Committee for London.

## ENGLAND

### North West England Conservancy

Professor John Handley (Chairman), Martin D Clark, Neil Cumberlidge, Tom Ferguson, Martin Harker, Liz Newton, Martin P Reynolds, Councillor David Robinson, Karen Slater. Secretary to the Committee: Rob Lawson. The Committee met in June and November 2003.

### North East England Conservancy

Denise Caudle (Chairman), Martyn Batchelor, Clive Davies, David Fruin, Neil Harrison, Lord Anthony Hill, Sian Thomas, Lorraine Weeks, Doug Wentworth. Secretary to the Committee: Isabel Farries. The Committee met in June, September and December 2003 and March 2004.

### Yorkshire and The Humber Conservancy

Professor Carys Swanwick (Chairman), Ian Carstairs, David Clayden, Val Dilcock, Martin Glynn, Alan Simson, Peter Townson, Richard Walker, David Wilmot-Smith MBE. Secretary to the Committee: Lesley Dyson. The Committee met in June and October 2003 and February 2004.

### West Midlands Conservancy

Stephen Potter (Chairman), Mike Bradbury, Graham Hunt, Nerys Jones, Sara Roberts, Roger Plowden, Russell Rowley, Andrew Sharkey, Andrew Thompson. Secretary to the Committee: Julia Hall. The Committee met in July and November 2003 and March 2004.

### East Midlands Conservancy

Julian Purvis (Chairman), Ian Biddulph, Steve Clifton, Richard Harvey, Assim Ishaque, Clive Keble, John Lockhart, J Geoff Machin OBE, Councillor Roy Mayhew. Secretary to the Committee: Anne Jordan. The Committee met in June and November 2003 and March 2004.

### East England Conservancy

Dr Gerry Barnes (Chairman), Michael Allen, Robert Fuller, Steele Haughton, John Meehan, Julian Pitt, Richard Powell, Richard Tattersall, Stephen Westover. Secretary to the Committee: Rose Proctor. The Committee met in June and October 2003 and February 2004.



## South West England Conservancy

Sir Harry Studholme (Chairman), Sue Blacker, Dr Richard Cresswell MBE, David Dixon, Richard Lloyd, John Rainger, Chris Roberts, David Sisson, Gwilym Wren. Secretary to the Committee: Samantha Grimshaw. The Committee met in June and November 2003 and February 2004.

## South East England Conservancy

Bridget Bloom OBE (Chairman), Nigel Braden, Valerie Carter, Andrew Ingram, Duncan Mackay, Steve Rodrick, Derick Stickler, John Tucker, Dr Tony Whitbread. Secretary to the Committee: Caroline Ewin. The Committee met in October 2003 and March 2004.

## London Conservancy

Marion Kerr (Chairman), Paul Akers, Jane Carlsen, Mathew Frith, Meg Game, Graham Simmonds, Charles Tustian, David Wardle, Dr Jeremy Wisenfeld. The Committee met in February 2004.

## Forestry Commissioners' Advisory Panel (FCAP)

Tricia Henton (Chairman), Dr Hilary Allison, Dr Peter Bonfield, Tony Hams, Barrie Hudson OBE, Chris Inglis, Professor David Ingram OBE, Professor Terry Marsden, John Meehan, Matthew Rivers, Councillor Iain Ross, Adrian Whiteman, Peter Wilson, Dr David Wood, William Worsley. Secretary to the Committee: John Mullett. The Committee met in October 2003 and January 2004.

## Advisory Committee on Forest Research


Professor Hugh Miller (Chairman), Dr Christine Cahalan, Dr Steve Gregory, Professor Mike Jeger, Professor Brian Kerry, Dr Peter Savill, Professor Michael Usher. Secretary to the Committee: Dr Peter Freer-Smith. The Committee met in April and November 2003, received external visiting group reports on the Silviculture and Entomology programmes and appointed a visiting group to look at the work of the Social Research Unit.

## Forestry Research Co-ordination Committee

Tim Rollinson (Chairman), Dr John Baker, Nick Barker, Malcolm Beatty, Richard Brand-Hardy, Professor Melvin Cannell, Don Cheyne, Dr John Hooker, Dr Keith Kirby, Professor Hugh Miller, John Palmer, Dr Susan Riley, Dr David Rook, Bob Selmes, Paul Waskett, Cedric Wilkins, Dr Toby Willison. Secretary to the Committee: Dr Peter Freer-Smith. The Committee met in April and November 2003.

## England Forestry Forum

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

 to share and exchange proposals for implementing the Government's Forestry Strategy for England; and





🌲 to monitor and review progress of the implementation of the Forestry Strategy.

The Forum met twice during the year, in April and October 2003.

In April the Forum received the final report from the Forestry and Biodiversity ad-hoc working group to which the Government responded at the October meeting. Both meetings received reports on the developing Regional Forestry Frameworks, a summary of the actions planned or underway to implement the England Forestry Strategy (EFS) and the progress in implementing the accepted recommendations of the Forum's ad-hoc working groups. The October meeting was also presented with a paper on the development of the England Forestry Industry Partnership.

Before the formal meeting in October, members looked at issues relating to the Forestry for Economic Regeneration of the EFS, including the cost benefits of brownfield land restoration and the 'Roots' decision support software.

Reports of Forum meetings and all Forum papers are available on our website at: <http://www.forestry.gov.uk/englandforestryforum>

Members of the Forum include representatives from the following organisations:

Association of National Park Authorities; The Community Forests; Council for British Archaeology; Campaign for the Protection of Rural England; Country Land and Business Association; Countryside Agency; English Heritage; English Nature; English Partnerships; The Environment Agency; Forestry Commission Regional Advisory Committees; Forestry Contracting Association; Forestry Industry Development Council; Farming and Wildlife Advisory Group; Forestry and Timber Association; Institute of Chartered Foresters; Local Government Association; National Farmers Union; National Forest Company; The National Trust; National Urban Forestry Unit; Planning Officers Society; Ramblers Association; North West Regional Development Agency; Royal Forestry Society of England, Wales and Northern Ireland; Royal Society for the Protection of Birds; Royal Town Planning Institute; Small Business Service; Small Woods Association; United Kingdom Forest Products Association; Wildlife and Countryside Link; Wildlife Trusts; The Woodland Trust; officials from the Department for Environment, Food and Rural Affairs and Office of the Deputy Prime Minister. The Forestry Commission provides the secretariat for the Forum.



## APPENDIX 4

### Publications

We published the following titles during the year ending 31 March 2004. Details of all publications can be found on our website at: [www.forestry.gov.uk/publications](http://www.forestry.gov.uk/publications) and many titles can be viewed and downloaded free of charge.

The UK Forestry Standard (2nd edition) £7.50

Forestry Statistics 2003 £15.00

Forestry Facts and Figures 2003 - 04 free

### Guidelines

Forests and Water Guidelines (4th edition)  
£9.00

### Practice Guides

Reducing Pesticide Use in Forestry  
£16.00

### Bulletins

Phytophthora disease of alder in Europe  
£16.00

### Research papers

Crossplan: Integrated, participatory landscape planning as a tool for rural development  
£12.50

Biodiversity in Britain's Planted Forests  
£10.00

### Information Notes (all free of charge)

48. Forests, carbon and climate change: the UK contribution

49. Red band needle blight of pine

50. Growing juniper: propagation and establishment practices

51. Forest condition 2002

52. Breeding hybrid larch in Britain

53. Recent changes to the control of forest reproductive material

54. Predicting site suitability for natural colonisation: upland birchwoods and native pinewoods in northern Scotland

55. An indication of the likely volume gains from improved sitka spruce planting stock

56. Restoration of neglected hazel coppice

### Technical Notes (all free of charge)

5. Chainsaw debutting of standing timber

6. Respiratory protective equipment

7. Noise hazards in forestry operations and selection of personal protective equipment

### Inventory Reports

National Inventory of Woodland and Trees - Great Britain £15.00

For inventory results at country level for Scotland, England and Wales visit: [www.forestry.gov.uk/inventory](http://www.forestry.gov.uk/inventory)



## Website Toolbox

Involving people in forestry: a toolbox  
for public involvement in forest and woodland  
planning [www.forestry.gov.uk/toolbox](http://www.forestry.gov.uk/toolbox)

## Ordering Publications

To order copies of Forestry Commission  
publications, please contact:

Forestry Commission Publications

PO Box 25

Wetherby

West Yorkshire

LS23 7EW

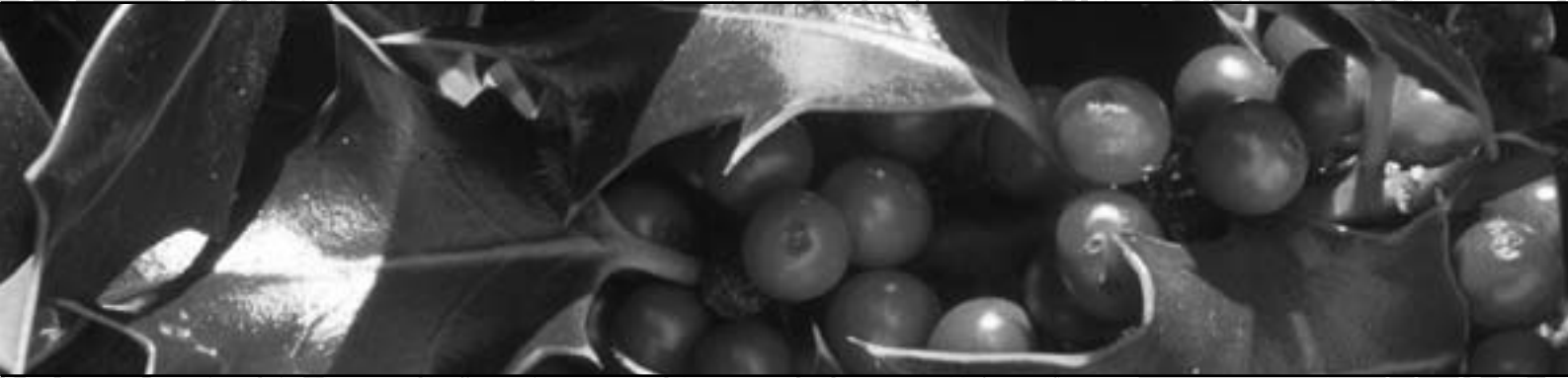
Telephone: 0870 121 4180

Fax: 0870 121 4181

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



# Tables





## TABLE 1

Area of planting by private woodland owners for which grants were paid in the year ended 31 March 2004

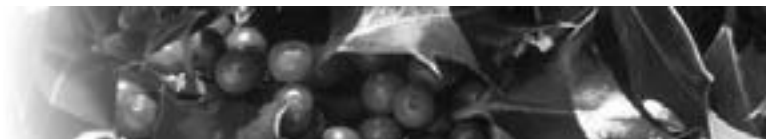
Woodland Grant Scheme

Hectares

	ENGLAND			WALES			SCOTLAND			GREAT BRITAIN		
<b>Woodland Grant Scheme</b>	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total	New Planting	Restocking	Total
Conifer	186	360	546	26	222	248	2,348	1,732	4,080	2,560	2,314	4,874
Broadleaved	5,098	651	5,749	443	198	641	4,059	677	4,736	9,600	1,526	11,126
<b>Scottish Forestry Grant Scheme</b>												
Conifer							178	1,043	1,221	178	1,043	1,221
Broadleaved							118	166	284	118	166	284
<b>TOTAL</b>	<b>5,284</b>	<b>1,011</b>	<b>6,295</b>	<b>469</b>	<b>420</b>	<b>889</b>	<b>6,703</b>	<b>3,618</b>	<b>10,321</b>	<b>12,456</b>	<b>5,049</b>	<b>17,505</b>

Notes:

1. The figures include new planting grant-aided in association with the Farm Woodland Premium scheme administered by the Agriculture Departments.
2. The areas of new planting and restocking include those areas where the second instalment of grant for Natural Regeneration has been paid.
3. The GB area of new planting includes 16 hectares of Short Rotation Coppice which was grant aided.
4. The SFGS restocking figure includes 656 hectares under the transitional arrangements.
5. The areas for new planting and restocking are based on payment during 2003 - 04, except for England which are based on claims during 2003 - 04. (In England a further 1478 hectares of new planting and 131 hectares of restocking claimed in 2002 - 03 and paid in 2003 - 04 have not previously been reported.)



## TABLE 2

Area of Planting by Private Woodland Owners for which Grants were paid in the 20 year period 1 April 1984 to 31 March 2004

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
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
2001	5,365	1,708	7,073	447	759	1,206	11,627	3,561	15,188	17,439	6,028	23,467
2002	4,324	949	5,273	270	757	1,027	7,880	2,884	10,764	12,474	4,590	17,064
2003	4,592	965	5,557	329	713	1,042	6,634	3,489	10,123	11,555	5,167	16,722
<b>2004</b>	<b>5,284</b>	<b>1,011</b>	<b>6,295</b>	<b>469</b>	<b>420</b>	<b>889</b>	<b>6,703</b>	<b>3,618</b>	<b>10,321</b>	<b>12,456</b>	<b>5,049</b>	<b>17,505</b>

Notes:

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 2004

#### Woodland Grant Scheme

Hectares

	ENGLAND	WALES	SCOTLAND	GREAT BRITAIN
Standard MG	-	-	165	165
Special MG	60	-	165	225
Annual MG	110,495	9,914	39,476	159,165
Woodland Improvement Grant	8,217	1,629	23,198	3,044
Livestock Exclusion Annual Premium	1,458	814	9,073	11,345
<b>Total</b>	<b>120,230</b>	<b>11,637</b>	<b>72,077</b>	<b>203,944</b>

### Area Approved for Management Grant under the Woodland Grant Scheme

Hectares

	ENGLAND	WALES	SCOTLAND	GREAT BRITAIN
<b>1994 - 1995</b>				
Conifer	7,620	1,750	31,293	40,663
Broadleaved	21,749	1,037	8,088	30,874
<b>Total</b>	<b>29,369</b>	<b>2,787</b>	<b>39,381</b>	<b>71,537</b>
<b>1995 - 1996</b>				
Conifer	4,478	1,164	9,136	14,778
Broadleaved	15,545	1,353	4,322	21,220
<b>Total</b>	<b>20,023</b>	<b>2,517</b>	<b>13,458</b>	<b>35,998</b>
<b>1996 - 1997</b>				
Conifer	3,257	458	5,103	8,818
Broadleaved	12,679	1,295	4,946	18,920
<b>Total</b>	<b>15,936</b>	<b>1,753</b>	<b>10,049</b>	<b>27,738</b>
<b>1997 - 1998</b>				
Conifer	5,900	885	5,808	12,593
Broadleaved	18,474	1,189	3,890	23,553
<b>Total</b>	<b>24,374</b>	<b>2,074</b>	<b>9,698</b>	<b>36,146</b>
<b>1998 - 1999</b>				
Conifer	6,205	820	6,594	13,619
Broadleaved	24,556	1,523	3,552	29,631
<b>Total</b>	<b>30,761</b>	<b>2,343</b>	<b>10,146</b>	<b>43,250</b>
<b>1999 - 2000</b>				
Conifer	8,563	908	5,396	14,867
Broadleaved	24,893	1,018	4,349	30,260
<b>Total</b>	<b>33,456</b>	<b>1,926</b>	<b>9,745</b>	<b>45,127</b>
<b>2000 - 2001</b>				
Conifer	4,920	445	6,323	11,688
Broadleaved	18,519	1,437	2,590	22,546
<b>Total</b>	<b>23,439</b>	<b>1,882</b>	<b>8,913</b>	<b>34,234</b>
<b>2001 - 2002</b>				
Conifer	4,578	493	3,051	8,122
Broadleaved	15,394	963	2,058	18,415
<b>Total</b>	<b>19,972</b>	<b>1,456</b>	<b>5,109</b>	<b>26,537</b>
<b>2002 - 2003</b>				
Conifer	3,481	506	2,803	6,790
Broadleaved	15,709	809	3,174	19,692
<b>Total</b>	<b>19,190</b>	<b>1,315</b>	<b>5,977</b>	<b>26,482</b>
<b>2003 - 2004</b>				
Conifer	8,265	387	2,993	11,645
Broadleaved	30,240	653	1,328	32,221
<b>Total</b>	<b>38,505</b>	<b>1,040</b>	<b>4,321</b>	<b>43,866</b>



## TABLE 4

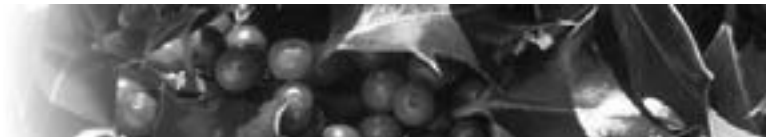
Performance against the Spending Review 2002 Service Delivery Agreement targets.

Target Description	Expected Performance 01.04.03 to 31.03.06	Actual performance at 31 March 2004 and comments	Progress to Target
<b>Sustainable Development</b>			
Specified UK Indicators of Sustainable Forestry:		A2, 11,899 hectares (provisional).	ON COURSE
A2 - area of new woodland created		A6, 1,153,000 hectares (provisional) (up from 1,084,000 in Dec 2001).	ON COURSE
1 A6 - area of sustainably managed woodland	Positive trends in indicators	D3, 12% increase in timber production (provisional), no new future availability projections.	ON COURSE
D3 - timber production and future availability		E3, The survey carried out in 2003 - 04 is not directly comparable with earlier surveys but is likely to be repeated in 2005.	NOT YET AVAILABLE AND AHEAD TO GO ON COURSE
E3 - public awareness			
2 Expressions of the England Forestry Strategy for each region.	9 Regional Forestry Frameworks by 2004	One framework complete, three at consultation stage and five being developed	ON COURSE
3 Area of new woodlands created	15,000 hectares	6,672 ha. The practice has been to record the area paid but since the introduction of resource accounting, the amounts of grant payments appearing in the accounts represents the accrued expenditure. This total includes approximately 1,478 ha payment for which was accrued in the 2002 - 03 accounts and has not been previously reported. The remainder represents the area achieved by the amounts appearing the 2003 - 04 accounts.	ON COURSE
4 Area of woodland certified against the UK Woodland Assurance Standard	350,000 hectares	307,000 ha (provisional).	ON COURSE
<b>Rural Development</b>			
5 Percentage of annual timber growth harvested each year	38%	Revised figures suggest the 2002 baseline should have been 31%. The provisional value for 2003 is 34%.	ON COURSE
6 Baseline study to establish the confidence of woodland and forestry related businesses	Baseline study and target for improvement	Baseline figures will be established after the 2004 survey of the Health and Viability of Forest Industry Businesses has been completed and analysed.	ON COURSE





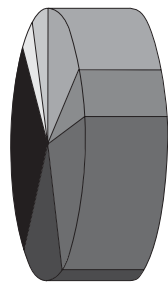
Target Description	Expected Performance 01.04.03 to 31.03.06	Actual performance at 31 March 2004 and comments	Progress to Target
<b>Economic Regeneration</b>			
7 Area of new woodland created in priority areas	2,700 hectares	775 ha.	SOME SLIP
<b>Recreation, Access and Tourism</b>			
8 Increase in area of woodlands with public access in priority areas in relation to the 2003 baseline study.	10,000 hectares	Baseline study has been completed. 6,550 ha increase.	ON COURSE
9 Increase the number of day visits to woods and forests	To 350 million by 2006	2002 baseline figure is 222 million, significantly down from 321 million in 1998. Results from 2004 survey to be available in 2006.	NOT YET AVAILABLE AND AHEAD TO GO ON COURSE
<b>Conservation and Environment</b>			
10 Percentage of all SSSIs where the Forestry Commission has statutory responsibilities in favourable condition.	95% by 2010	Baseline assessment for SSSIs at March 2003 is 69%.	NOT YET AVAILABLE AND AHEAD TO GO ON COURSE
11 Implementation of the UK Biodiversity Habitat Action Plans for woodlands in England led.	Delivery by 2015	A major database is being developed to record progress against Action Plan targets.	NOT YET AVAILABLE AND AHEAD TO GO ON COURSE
12 Number of woodland birds as measured annually against underlying trends using the Woodland Birds Index.	Long-term decline reversed by 2020	The National Woodland Birds Survey Project reporting in 2005 will clarify causal factors and research priorities.	NOT YET AVAILABLE AND AHEAD TO GO ON COURSE
<b>Value for money</b>			
13 Unit cost of administering grant aid	16p/£ by 2006	As the achievement of the unit cost target and electronic delivery depends on the introduction of GLADE planned for April 2005, the target will be assessed thereafter. Compliance with FC Customer Service Standard is 86%.	NOT YET AVAILABLE AND AHEAD TO GO ON COURSE
Compliance with the FC Customer Service Standard for the Woodland Grant Scheme	85%		ON COURSE
Percentage electronic serving delivery capability for such payments.	100% by 2006		NOT YET AVAILABLE AND AHEAD TO GO ON COURSE
14 Unit cost of producing a cubic metre of timber on the Forestry Commission estate.	£13.55/m <sup>3</sup> by 2006	£13.52/m <sup>3</sup> .	ON COURSE



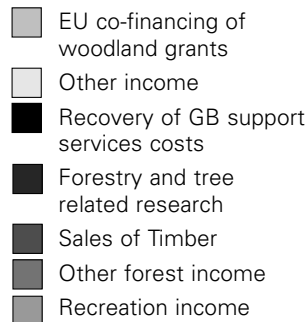
## FINANCIAL HIGHLIGHTS

### Summary Income and Expenditure Account for the year ended 31 March 2004

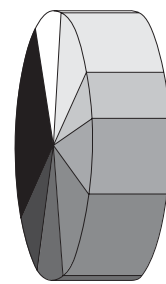
	2003 - 04 £000	2002 - 03 £000
<b>INCOME</b>		
<b>Forestry Commission</b>		
EU co-financing of woodland grants	5,116	5,423
Other income	3,769	1,955
Recovery of GB support services costs	21,502	14,192
<b>Forest Research</b>		
Forestry and tree related research	12,837	12,508
<b>Forest Enterprise</b>		
Sales of Timber	16,835	18,361
Other forest income	4,543	5,490
Recreation income	12,483	10,735
	<b>77,085</b>	<b>68,664</b>



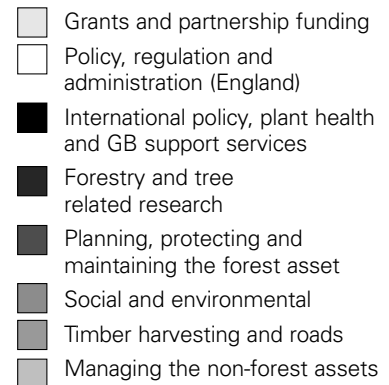
**INCOME 2003 - 04**



	2003 - 04 £000	2002 - 03 £000
<b>EXPENDITURE</b>		
<b>Forestry Commission</b>		
Grants and partnership funding	18,606	18,837
Policy, regulation and administration (England)	15,738	12,537
International policy, plant health and GB support services	36,309	31,698
<b>Forest Research</b>		
Forestry and tree related research	12,427	11,880
<b>Forest Enterprise</b>		
Planning, protecting and maintaining the forest asset	15,102	14,681
Social and environmental	20,803	20,298
Timber harvesting and roads	12,367	12,699
Managing the non-forest assets	8,137	9,608
	<b>139,489</b>	<b>132,238</b>
<b>Net expenditure for the year</b>	<b>(62,404)</b>	<b>(63,574)</b>



**EXPENDITURE 2003 - 04**



### Summary Cash Flow statement for the year ended 31 March 2004

	2003 - 04 £000	2002 - 03 £000
Net expenditure for the year	(62,404)	(63,574)
Depreciation and other non-cash items	7,659	7,706
Movement in working capital	(2,689)	9,780
Movement in provision and liabilities	(478)	(227)
Net cash flow from operating activities	(57,912)	(46,315)
New planting	(1,122)	(2,637)
Purchase of fixed assets	(5,517)	(12,736)
Net proceeds from disposal of fixed assets	1,537	2,605
Funding from UK Government	<b>(63,014)</b>	<b>(59,083)</b>

### Summary Balance Sheet as at 31 March 2004

	2003 - 04 £000	2002 - 03 £000
Fixed assets	414,293	415,602
Debtors falling due after more than one year	405	512
Current assets	21,268	16,418
Creditors: amounts falling due within one year	(20,816)	(14,281)
Net current assets	452	2,137
Creditors: amounts falling due after more than one year	(1,856)	(1,942)
Provision for liabilities and charges	(3,044)	(2,951)
Total assets less liabilities	<b>410,250</b>	<b>413,358</b>
Capital and reserves	<b>410,250</b>	<b>413,358</b>

# Resource Accounts

for the year ended 31 March 2004

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## ANNUAL REPORT

### Scope

#### 1. Basis of Accounts

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

#### 2. Departmental Accounting Boundary

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

- 🌲 the core-department Forestry Commission England together with international matters and topics which, though devolved, are agreed to be best delivered for Great Britain (GB) as a whole;
- 🌲 Forest Research (FR), an executive agency of the Forestry Commission since 1 April 1997 and funded by the UK Parliament. It also produces its own annual report and accounts.

Forest Enterprise England, an executive agency of the Forestry Commission since 1 April 2003, is a public corporation for national accounting. Accordingly, it is outside the departmental boundary for resource accounting and produces its own accounts for each country with the net funding of Forest Enterprise England reflected in these accounts.

Equivalent resource accounts are produced for the Forestry Commission's activities in Scotland and Wales.

#### 3. Status

On 1 April 2003, the Forestry Commission changed its structure to reflect a step change in co-operation with rural affairs departments in England, Scotland and Wales. This is underpinned by concordats worked up individually between each rural affairs department and the relevant Forestry Commission National Office. The required changes included:

- 🌲 the Forestry Commission's Forest Enterprise agency was devolved into three bodies, including Forest Enterprise England, charged with managing separately the public forests in England, Scotland and Wales;
- 🌲 an Executive and two Non-executive Commissioners for each country were appointed to the Board of Forestry Commissioners. The Board also delegated to National Committees in each country responsibility for country-specific issues; and
- 🌲 a new ministerial committee, involving Ministers from England, Scotland, Wales and Northern Ireland was formed to discuss international issues and any cross-cutting issues where collaboration would be advantageous and to monitor the effectiveness of the new arrangements.

Forestry Commission England came into being on 1 April 2003 as a result of the Forestry Devolution Review, the recommendations of which were agreed by Forestry Ministers in Scotland, England and Wales. It serves as the forestry department of the Westminster Parliament, advising on,



and implementing forestry policies. Through the executive agency, Forest Enterprise England, it also manages the public forest estate to deliver public benefits.

Forestry Commission England is part of the Forestry Commission. The legislative framework for forestry is principally the Forestry Acts 1967, 1979 and 1981, the Plant Health Act 1967, the Countryside Act (Scotland) 1967 and the Countryside Act 1958. The Government of Wales Act 1998, the Scotland Act 1998, and the subsequent statutory instruments, specified the Forestry Commission as a cross-border public authority, transferred the Ministers' responsibilities for forestry in Scotland and Wales to the Scottish Ministers and the National Assembly for Wales respectively, transferred ownership of land and property, and made various other changes to devolve forestry to Scotland and Wales. Some issues, such as European and international forestry policy and forestry research were reserved by the Westminster Parliament and are still handled by the Forestry Commission Great Britain part of the organisation. England's interests in such matters are safeguarded by Forestry Commission England being represented on the Board of the Forestry Commission and also at the Forestry Ministers' Group where policy on reserved matters is discussed. The Secretary of State for Environment, Food and Rural Affairs is answerable to the Westminster Parliament for Forestry Commission England and Great Britain's overall policies and performance.

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

#### 4. Responsibilities

The Forestry 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 and 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 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.

#### 5. Aim and Objectives

The Forestry Commission is the forestry department of 3 administrations - the UK Government, the Scottish Executive and the National Assembly for Wales. Its aim is the sustainable management of our existing woods and forests, and a steady expansion of tree cover to increase the many, diverse benefits that forests provide to meet the needs of present and future generations.



Through its powers and duties set out in the various Acts, the objective of the Forestry Commission for its Great Britain activities, is:

🌲 On behalf of all 3 administrations, to take the lead in development and promotion of sustainable forest management and to support its achievement nationally.

In England, it implements the programmes of the England Forestry Strategy whose objectives are:

🌲 to increase the contribution of forests and woodlands to local economies and rural development (Forestry for Rural Development Programme);

🌲 to expand the role of woodlands in supporting the economic regeneration of former industrial land and disadvantaged communities (Forestry for Economic Regeneration Programme);

🌲 to promote public access to woods and forests and develop diverse recreational opportunities (Forestry for Access, Recreation and Tourism Programme); and

🌲 to conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands (Forestry for the Environment and Conservation Programme).

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

🌲 a capability to conduct research and development, surveys and related services relevant to the forest industry; and

🌲 authoritative advice to support the development and implementation of the government's forestry policy.

## 6. Departmental Report

The Departmental Report 2004 for Defra was published in April 2004. Chapter 5 of the report gives an overview of the activities of the Forestry Commission in England/GB over 2003 - 04 and looks ahead to what it will be aiming to achieve, including its resource plans for 2004 - 05 and 2005 - 06. The latest Corporate Plan for England and Great Britain covers 2004 - 05 to 2005 - 06 and is available on the Forestry Commission website at [www.forestry.gov.uk](http://www.forestry.gov.uk).

## 7. Post-Balance Sheet events

There are no post-balance sheet events.

## 8. Pensions

Present and past employees of the Forestry Commission are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The financial status of the scheme is reported in a separate PCSPS scheme statement. The Forestry Commission recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.



## Operating and Financial Review

### 9. The business, its objectives and strategy




As the Government department for forestry throughout GB, the Forestry Commission provides advice and support to the UK Government and to the devolved administrations in Scotland and Wales. It develops policy, sets the standards for sustainable forest management and encourages good forestry practice. It conducts forestry research, provides information and offers grants for managing and expanding woodlands and forests. It has statutory duties to regulate forestry through the control of tree felling and to protect forests from pests and diseases. It also manages the public forest estate in England, Scotland and Wales, providing recreation for many millions of visitors, producing more than 5 million cubic metres of timber each year and making a major contribution to the conservation of our natural heritage.

The Forestry Commission operates across GB as a cross-border public body. This allows England, Scotland and Wales to benefit from the economies of scale that a GB-wide body is able to offer. This includes support services such as finance, personnel and IT skills; expertise on matters such as climate change, biodiversity, forest protection and industry development; and access to shared resources such as economic, statistics and forestry training services.

The Forestry Commission answers separately to Ministers in England, Scotland and Wales for the development and implementation of forestry policy. The Commissioners' programmes to deliver each country's forestry strategy are set out in Corporate

Plans for England, Scotland and Wales.

These programmes are directed and financed by the three administrations to which the Commission is directly accountable. In addition, a number of the Commission's functions are funded directly by Westminster and operated on a GB basis. These include:

-  European and International Forestry Policy - the Forestry Commission's international policy staff (working with other departments) formulate UK policy in international negotiations, develop the UK's national forest programme and advise on implementation of international and European obligations.
-  Plant Health and Forest Reproductive Materials - the Forestry Commission's Plant Health Unit operates throughout GB with the vital task of preventing entry of harmful pests and diseases from overseas. It also controls the marketing of forest seed, cones, cuttings and plants by approving basic material (e.g. stands, seed orchards), certifying reproductive material and inspecting the nursery trade.
-  Forest Research - the Forestry Commission's executive agency is a centre of excellence for scientific expertise in forestry. Around £10 million a year is spent through the Agency and external providers looking at issues such as sustainable forest management, climate change, biodiversity, inventory, forest condition and threats to tree health, ways of measuring the social and environmental benefits of woodlands and improving the economic potential of home-grown timber.



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

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

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

Forestry Commission England's executive agency, Forest Enterprise England manages England's public forest estate which amounts to 257,400 hectares in England and contains 19% of England's woodlands. Forest Enterprise England has an office in Bristol and 11 Forest Districts.

The Forest Research Agency operates on a GB basis. Forest Research has a major research station at Alice Holt near Farnham and several field stations.

### **10. Operating review**

The objective for the department's activities across GB is to take the lead in development and promotion of sustainable forest management and to support its achievement nationally. The United Nations Forum on Forests (UNFF) provides an important focus to promote sustainable forest management globally and to implement existing commitments. The UK continued to work in the third session, which took place in May 2003 to make the work of UNFF more relevant to implementation on the ground. The third session focused on the economic aspects of forests, forest health and productivity, and maintaining forest cover to meet present and future needs. At the 4th Ministerial Conference on the Protection of Forests in Europe (MCPFE) in April 2003, the UK adopted the Vienna Declaration and the five Vienna Resolutions covering National Forest Programmes, Economic Viability of Sustainable Forest Management, Forest Biodiversity, Climate Change and the Social and Cultural Aspects of Sustainable Forest Management. The Forestry Commission will take action to implement the Vienna





Declaration and Resolutions at the national and country level. Where there is value in joint implementation at a pan-European level the Forestry Commission will take this forward through the MCPFE Work Programme adopted in October 2003 as a pan-European follow up to the 4th Ministerial Conference. The Forestry Commission continued to provide support for the UK Forest Partnership for Action, which was created in the run-up to the 2002 World Summit on Sustainable Development, bringing together government, industry and environmental groups to promote sustainable development across the forest sector. The Partnership has met three times a year and has been working on a number of priority issues, including forest certification, forest restoration and protection, illegal logging, and timber procurement. Other international and national achievements are contained in the Forestry Commission's Great Britain and England Annual Report and Accounts.

The prime output from Forestry Commission England is to sustain and expand woodlands and woodland services in accordance with the England Forestry Strategy. Much of this is achieved through the payment of grants under the Woodland Grant Scheme (WGS) where overall grants of £16.2 million were paid out in 2003 - 04, 56 per cent going to new planting and 44 per cent to support the management of existing woodland.

### 11. Performance in the period

The Corporate Plan for England and Great Britain 2004 - 05 to 2005 - 06 describes the current activities for Great Britain and England, the strategic direction of work up to 2006 and the specific actions being taken

forward in 2004 - 05. It also includes the Corporate Plan for Forest Enterprise England, which manages the public forest estate. The Corporate Plan includes performance against the performance targets set by Ministers as part of Spending Review 2002. The Forestry Commission Great Britain and England Annual Report details achievements against the planned programmes. The programmes were related to the strategic directions set out in the England Forestry Strategy:

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

### 12. Dynamics of the business

On 8 November 2002 the Minister of State for Rural Affairs announced the appointment of Lord Haskins to review the way in which the government's rural policies are delivered. In the Haskins Report published on 11 November 2003, Lord Haskins recommended the creation of an integrated agency to co-ordinate the activities of existing conservation agencies and to manage the emerging environmental programme, arising out of CAP reform. In the Government's initial response the Secretary of State for Environment, Food and Rural Affairs accepted the broad recommendation on the integrated agency and said that her department would also consider how to achieve alignment of the Forestry Commission with the integrated



agency. The Rural Strategy 2004 announced on 21 July 2004 sets out the Government's new approach to rural policy and delivery in England. The main implications for Forestry Commission England are:

- ♻️ Ministerial responsibility for forestry will continue to be vested in Defra Ministers;
- ♻️ Responsibility for strategic forestry policy in England will transfer from the Forestry Commission to Defra, as agreed with the Forestry Commissioners;
- ♻️ Responsibility for Defra's delivery in forestry will transfer to the Forestry Commission, with the exception of formal sponsorship of the National Forest Company;
- ♻️ Forestry Commission England will develop a close partnership with the new integrated agency which comprises functions currently performed by English Nature, and parts of the Countryside Agency and the Rural Development Service;
- ♻️ Forestry work will in future be grouped under the Natural Resource Protection funding programme for Defra.

An economic analysis of forestry policy in England, undertaken for Defra and H. M. Treasury, was published in April 2003. This examined the economic rationale behind Government's policy goals for forestry, set out in the England Forestry Strategy 1998, together with forestry's contribution to wider

government strategies for sustainable development. It formed part of the Review of Forestry Arrangements in England which is informing the Rural Delivery Review. The report recommended that the Forestry Commission England and its Forest Enterprise agency review their activities to deliver more focused and targeted intervention.

The global depression in timber prices is likely to continue to hold timber income at a historically low level during 2004 - 05. Forest Enterprise England is pursuing alternative timber markets, including short-term export opportunities and longer term developments for wood energy production. Increased revenue from modernisation of our Forest Holidays cabin sites and the development of other income streams from use of the forest estate assets will help reduce the shortfall.

The Countryside and Rights of Way Act 2000 (CROW) makes new provisions for access to the countryside; amend the law relating to nature, conservation and the protection of wildlife, and makes further provision for Areas of Outstanding Natural Beauty. During 2004 - 05, Forestry Commission England will implement the Relevant Authority Function for dedicated woodlands arising from access provision under CROW.

The Forestry Commission has invited the private sector to inject capital into modernising its Forest Holidays business. Forest Holidays currently operates three self-catering log cabin sites and 21 campsites



throughout Great Britain, providing 141 self-catering units and over 5,000 touring pitches. It plans to raise £25 million private sector funding to modernise the current touring caravan and campsite network; develop a new 100-cabin site; and create permanent holiday let units on 300 pitches over five campsites. The Invitation to Submit Outline Proposals (ISOP) was issued in July 2004 with a closure date of 13 September 2004. The Forestry Commission is seeking a joint venture partnership to sustain and increase the value of the business and to provide the Forestry Commission with an annual rental payment reflecting the assets that will be leased to the joint venture company by the Forestry Commission. The start of the partnership arrangements is expected by 30 June 2005.

### **13. Investment for the future**

The Forestry Commission is established under the Forestry Acts and its functions and powers are principally set out in those Acts, in particular the Forestry Act 1967. Neither the Forestry Acts nor the other statutes to which it is subject permit the Forestry Commission to form companies, to participate in joint venture companies or to appoint directors to boards of such companies. This would clearly be a constraint on its ability to participate in such joint ventures as the Forest Holidays Public Private Partnership (PPP). Accordingly, the Forestry Commission proposes to seek an order under the Regulatory Reform Act 2001, amongst other things, to permit it to form and invest in companies, enabling it to take

advantage of commercial opportunities, and thereby draw finances from sources other than Government.

Work continued on the Grants and Licences Administration Delivered Electronically (GLADE) project which will provide all three countries with a new system for handling all Forestry Commission grant schemes. It will include a facility for applicants to use electronic formats, will allow greater use of geographic information systems, will provide greater ability to interrogate the system and should simplify the processing of applications. The new system is expected to be phased in from May to December 2005.

### **14. Financial review**

Cash funding for our activities in England and our GB functions comes from Westminster, from the European Union and from income from the public forest estate managed by Forest Enterprise England. Like the rest of the public sector, we now also make provision for resource costs which do not involve movements of cash - mainly the cost of capital invested in the public forest estate and depreciation charges for use of assets.

Westminster funding for the Forestry Commission was decided as part of the Government's 2002 Spending Review. The planned sources of income and expenditure up to 2005 - 06 are shown in the Forestry Commission's Corporate Plan for England and Great Britain Activities 2004 - 05 to 2005 - 06.

In November 2000 the Government announced that, as a consequence of



modulation arrangements introduced in the England Rural Development Plan, additional EU funds would be available until 2006-07 to support landowners in sustaining woodlands and creating new woodlands for public benefit. This support is provided through the Woodland Grant Scheme (FC) and the Farm Woodland Premium and Energy Crops Scheme operated by Defra. Additional EU support is also potentially available through the Structural Funds. The Forestry Commission is actively engaged with partners in connection with Objective 1 funding in Cornwall, Merseyside and South Yorkshire and Objective 2 in most of the northern counties, the Welsh Marches and Devon.

Timber sales represent the main source of income for Forest Enterprise and its financial performance is closely linked to the strength of the round timber market. Over recent years there has been a major decline in the price of round timber. Measured in pounds in real terms, prices remain at the lowest levels ever encountered. Factors such as the strength of sterling and high sawn timber production levels in Sweden and the Baltic States have contributed to the fall in prices. There is no sign of an early recovery and our plans assume that prices will continue at their depressed level.

At the GB level, our resources support work which benefits all three countries. The largest component is research and development carried out by the executive agency Forest Research (about 90%) and by other providers (about 10%). The remaining expenditure is on protecting Britain's trees from pest and diseases, representing British interests on

the international stage, and other GB-wide work including the costs of the Board of Forestry Commissioners, the development of the timber market, and the development and promotion of standards for sustainable forest management.

Resources in England are used to sustain and expand woodlands and woodland services in accordance with the England Forestry Strategy. We plan to spend approximately 53% of grants on woodland expansion and 47% on the management of existing woodlands over the period of the 2002 Spending Review.

With effect from 1 April 2004, the Westminster vote for forestry will be divided into two separate Request for Resource lines covering the Great Britain and England elements respectively.



## Management

### 15. Ministers

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

Rt Hon Margaret Beckett MP	Secretary of State, Department for Environment, Food and Rural Affairs
Elliot Morley MP	Parliamentary Secretary (Commons), Department for Environment, Food and Rural Affairs (to 12 June 2003)
Ben Bradshaw MP	Parliamentary Under-Secretary(Commons), Department for Environment, Food and Rural Affairs (from 13 June 2003)

### 16. Permanent Head of the Department and Forestry Commissioners Forestry Commissioners and Permanent Head of the Department

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

<b>Chairman</b>	Rt Hon Lord Clark of Windermere
-----------------	---------------------------------

#### Executive Forestry Commissioners

David Bills CBE	Director General and Deputy Chairman (to 31 January 2004) *
Tim Rollinson	Director General and Deputy Chairman (from 1 February 2004)*
Duncan Macniven TD	Head of Corporate Services (to 31 July 2003)
Bob McIntosh	Director, Forestry Commission Scotland *
Simon Hewitt	Director, Forestry Commission Wales *
Paul Hill-Tout	Director, Forestry Commission England *

#### Non-executive Forestry Commissioners

Anthony Bosanquet	Commissioner for Wales
Gareth Wardell	Commissioner for Wales
Dr Victoria Edwards	Commissioner for England
John James OBE	Commissioner for England and the environment (to 17 January 2004)
Martin Gale	Commissioner for Scotland and the forestry industry (from 1 May 2003)
Andrew Raven	Commissioner for Scotland
Tony Cooper	Commissioner for Human Resources



### National Committee for England

The Committee is appointed under Section 2(3) of the Forestry Act 1967 to, inter alia, undertake any of the functions of the Forestry Commissioners that they may delegate, subject to any restrictions or conditions as they see fit. Non-executive and Senior Staff Group members during the year were:

Rt Hon Lord Clark of Windermere	Chair and Forestry Commission Chairman
Dr Victoria Edwards	Non-executive Commissioner for England
John James OBE	Non-executive Commissioner for England (to 17 January 2004)
Tony Cooper	Non-executive Commissioner for England (from 18 January 2004)
Judith Webb	Non-executive member
Gerald Dawe	Non-executive member
Alan Taylor	Defra Observer
Paul Hill-Tout	Director, Forestry Commission England and Executive Commissioner
Geoff Hatfield	Chief Executive, Forest Enterprise England

### Other Forestry Commission Senior Staff Group

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

Tim Rollinson	Head of Forestry Group (to 31 January 2004) *
Jim Anderson	Director Personnel Development*
Professor Jim Lynch	Chief Executive, Forest Research Agency (from 1 July 2003) *
Frank Strang	Secretary to Commissioners and Head of Director General's Office (to 31 August 2003) *
Wilma Harper	Secretary to Commissioners and Head of Director General's Office (from 1 September 2003) *
David Henderson-Howat	Special Projects, Forestry Commission Scotland
Peter Ranken	Head of Recreation and Development, Forestry Commission England
Mike Lofthouse	Head of Operations, Forest Enterprise Scotland
Keith Gliddon	Director Finance
Craig Heaney	Head of Engineering Services
Peter Freer-Smith	Chief Research Officer, Forest Research Agency
Alan Mitchell	Head of Business Services Division
Roger Herbert	Head of Country Services
Ian Forshaw	Head of Policy and Business Development, Forestry Commission Scotland



\*Member of the Forestry Commission Executive Board. A register of Forestry Commissioners' interests is maintained and can be accessed on the Forestry Commission website ([www.forestry.gov.uk](http://www.forestry.gov.uk)).

### **17. 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.

### **18. Remuneration**

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

Salary increases for non-executive Commissioners are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprises the Chairman, Director General, Director, Scotland, Director, England, and three other non-executive Commissioners. The Chairman and non-executive members determine the Director General's pay. The Chairman, Director General and non-executive Commissioners

take decisions in respect of Country Directors. The entire committee takes decisions on remaining senior staff posts in accordance with guidelines prescribed by the Cabinet Office.

Further details on remuneration are set out in Note 3 to these accounts.

### **Public interest and other**

#### **19. 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 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 persons with disabilities, the provision of information to, and consultation with, employees, and the promotion of equal opportunities is available on request from the Personnel Services unit of the Forestry Commission.

#### **20. Supplier Payment Policy**

Forestry Commission England/Great Britain complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2003 - 04 indicates that 96.9% of invoices paid by the Forestry Commission



England/Great Britain and 99.1% of invoices paid by Forest Research were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

Interest of £126,000 was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

## **21. Auditors**

The accounts of Forestry Commission England/Great Britain are audited by the Comptroller and Auditor General.

TJD Rollinson, Accounting Officer  
18 October 2004





## STATEMENT OF FORESTRY COMMISSIONERS' AND ACCOUNTING OFFICER'S RESPONSIBILITIES

1. Under section 5(2) of the Government Resources and Accounts Act 2000, the Forestry Commission is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year.

2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

3. HM Treasury has appointed the Permanent Head of Department as Principal Accounting Officer of the department with overall responsibility for ensuring that resources authorised by Parliament and sums to be paid out of the Consolidated Fund, in respect of the Forestry Commission, are used for the purposes intended by Parliament. He must ensure that there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are taken into account in decisions on policy proposals; and risk is considered in relation to assessing value for money.

4. In preparing the accounts the Principal Accounting Officer is required to comply with the Resource Accounting Manual prepared by HM Treasury, and in particular to:

🌲 observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

🌲 make judgements and estimates on a reasonable basis;

🌲 state whether applicable accounting standards, as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;

🌲 prepare the accounts on the going concern basis.

5. As Principal Accounting Officer, the Director General of the Forestry Commission has designated Director, Forestry Commission England and the Chief Executive of Forest Research as Accounting Officers. The responsibilities of the Director General, as Principal Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the department's assets, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting. Under the terms of the Accounting Officers' Memorandum, the relationship between the department's Principal Accounting Officer and the other Accounting Officers, together with their respective responsibilities, is set out in writing.



## STATEMENT ON INTERNAL CONTROL

### 1. Scope of responsibility

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

Forestry is a devolved matter. The Secretary of State for the Environment, Food and Rural Affairs has responsibility for forestry in England as well as certain activities such as international affairs, plant health and forest research which remain reserved by Westminster. Scottish Ministers have responsibility for forestry in Scotland and the Welsh Assembly Government has responsibility for forestry in Wales. On 1 April 2003, the Forestry Commission changed its structure to reflect a step change in co-operation with rural affairs departments in England, Scotland and Wales. This is underpinned by concordats worked up individually between each rural affairs department and the relevant Forestry Commission National Office. The required changes included:

♻️ the Forestry Commission's Forest Enterprise agency was devolved into three bodies, including Forest Enterprise England, charged with managing separately the public forests in England, Scotland and Wales;

♻️ an Executive and two Non-executive Commissioners for each country were

appointed to the Board of Forestry Commissioners. The Board also delegated to National Committees in each country responsibility for country-specific issues; and

♻️ a new ministerial committee, involving Ministers from England, Scotland, Wales and Northern Ireland was formed to discuss international issues and any cross-cutting issues where collaboration would be advantageous and to monitor the effectiveness of the new arrangements.

Forestry Commission England, Forestry Commission Scotland and Forestry Commission Wales report directly to their appropriate Minister, providing advice on policy and implementing that policy within the relevant country. Delivery of the policy, as well as the progress against strategy objectives, are overseen in each country by the Forestry Commission's National Committee for England, National Committee for Scotland and National Committee for Wales. The Forestry Commission in each country is led by a Director, who is also a member of the Board of Forestry Commissioners, supported by an Executive Board which meets a minimum of eight times a year. The Forestry Commission also has an Executive Board which assists the Director General and Country Directors in the effective management of the Forestry Commission by providing leadership and setting direction for the Forestry Commission as an organisation.

The Chief Executive of the Forest Enterprise England agency is responsible, normally through the Director England, to the Forestry Commission England National Committee and Ministers for the management of the estate,



and of the Agency and its staff. The Chief Executive has a right of direct access to the Commissioners, and to the relevant Minister, and will meet them at least once a year. The Chief Executive is a member of the National Committee for England and the Forestry Commission England Executive Board.

Forest Research is a GB-wide agency which aims to deliver high-quality scientific research and surveys, to inform the development of forestry policies and practices, and promote high standards of sustainable forest management. The Chief Executive of the Forest Research Agency is responsible through the Director General to the Forestry Commissioners for the management of the Agency. The Chief Executive has a right of direct access to the Commissioners, and to the relevant Minister, and will meet them at least once a year. The Chief Executive is a member of the Forestry Commission's Executive Board.

The accountability arrangements for the Principal Accounting Officer of the Forestry Commission are set out in the Memorandum at Annex 4.1 of Government Accounting. During 2003 - 04, I have acted as Accounting Officer for Forestry Commission England/Great Britain. As from 1 April 2004, Director England shares the Accounting Officer responsibilities as the Additional Accounting Officer for the new Request for Resource 1 (RfR1) relating to the England Forestry Strategy. The exact responsibilities between the Additional Accounting Officer for RfR1 and the Principal Accounting Officer are in a separate Letter of Understanding.

In the absence of a Chief Executive for Forest Enterprise England, I have appointed Director, Forestry Commission England as the acting Agency Accounting Officer, responsible for the

Agency's accounts and financial procedures, and for the proper, effective and efficient use of resources provided to the Agency within the terms of the Framework Document and in pursuit of the agreed Corporate Plan objectives and targets. I have also designated the Chief Executive, Forest Research as Agency Accounting Officer with similar responsibilities. Both Agencies operate a separate Management Board to provide leadership and direction to the Agency.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Forestry Commission England/Great Britain policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Forestry Commission England/Great Britain for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

Forestry Commission England/Great Britain has taken a positive approach to risk which it feels is entirely appropriate to its role and remit. The process includes a Forestry Commission risk management policy document




approved by the Forestry Commission's Executive Board. The Forestry Commission has a departmental Risk Improvement Manager who is supported by a risk champion for each body, including Forestry Commission England, Forest Enterprise England and Forest Research. The Risk Improvement Manager updated the new Forestry Commission England Executive Board on their corporate governance and risk management responsibilities in October 2003. During the year, the Head of Corporate Services for Forestry Commission England, the Finance Director for Forest Enterprise England and the Head of Personnel and Administration for Forest Research have acted as risk champions for their respective entities, including responsibility for maintenance of the risk registers.


#### 4. The risk and control framework

In response to the structural changes and further central developments in the operation of Audit Committees within the public sector, changes to the membership and terms of reference of the Forestry Commission Audit Committee were made during the year. These included strengthening the non-executive representation on the Committee to include a member per country, as well as executive representation from across the organisation to allow the Committee to continue to fulfil its overarching Forestry Commission-wide role. The Committee met four times during the year to agree its revised role and responsibilities and to consider a range of reports from management, internal audit and external audit. For the first time, the Committee advised the Accounting Officers on the draft accounts prior to signature. As part of the Forestry Commission's governance framework, the Board of Commissioners received oral

reports on Committee business during the year and a more formal annual report on the discharge of its duties at the end of the year.

The Country Directors and Agency Chief Executives were provided with more detailed advice on the work of Internal Audit in particular, and control in general, via local Internal Control Committees (ICCs):

 The ICC in England covers both Forestry Commission and Forest Enterprise business. The Committee met twice during the year to set its terms of reference, to establish formal arrangement for the provision of internal audit services and to receive progress reports on audit activity and risk management. In March 2004, the Committee reviewed the results of audit work during the year and agreed an updated audit strategy for 2004 - 05 onwards. The work of the Committee is reported annually to the England National Committee.

 In line with the countries, the Forest Research Audit Committee was re-constituted as an ICC in 2003 - 04. The Committee met twice during the year to review its terms of reference, update the formal arrangement for the provision of internal audit services and receive progress reports on audit activity and risk management.

Work on implementing the risk management initiative continued during the year with the development of risk registers at both country and agency level. The registers in England were reviewed by the Forestry Commission England Executive Board and Forest Enterprise England Management Board respectively and were also tabled at the March 2004 ICC meeting. They were based on the previous



corporate level registers and will be further refined as knowledge and experience is gained. The existing Forest Research risk register was also updated during the year. At the corporate level, a seminar involving all relevant parts of the organisation, including Internal Audit, was held in early June 2004 to review progress during 2003 - 04 and consider next steps, including training for risk champions. The group will meet again in the autumn to review progress.

Forestry Commission England, Forest Enterprise England and Forest Research have service agreements with the Forestry Commission's Internal Audit unit that operates to prescribed Government Internal Audit Standards. The unit submits regular reports, which includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Audit planning process is subject to regular update to ensure that it remains focussed on the key risks to Forestry Commission England, Forest Enterprise England and Forest Research.

## 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within Forestry Commission England, Forest Enterprise England and Forest Research who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the

result of my review of the effectiveness of the system of internal control by the Executive Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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


- 🌲 the work of the internal audit team;
- 🌲 the work of the accounting inspection team;
- 🌲 the work of the health and safety team;
- 🌲 the Forestry Commission audit committee and relevant ICCs;
- 🌲 the risk improvement manager; and
- 🌲 comments made by the external auditors in their management letter and other reports.

The Head of Internal Audit has prepared a suite of annual reports and assurance statements to Country Directors and Agency Chief Executives, prepared for them in their capacities as Additional and Agency Accounting (Accountable) Officers. The reports include an overall assessment of the adequacy and effectiveness of risk management, control and governance within each entity. As the Principal Accounting Officer, I have received a similar report and assurance statement including any comments specific to the Great Britain core responsibilities. The overall opinion is that internal control within the Forestry Commission continues to provide **substantial** assurance that material risks to the achievement of objectives are adequately managed. The evidence, based on audit coverage throughout the Forestry Commission last year, where nearly all the assignments concluded with the same level of **substantial** assurance, coupled



with the results from previous years is that risk is generally well managed across the control spectrum although some weaknesses have been identified. This is to be expected in an organisation where a number of activities are devolved to local level. Appropriate management action is being taken to address the risks involved. The overall opinions for the entities covered by these accounts are:

 Internal control within Forestry Commission England and Forest Enterprise England generally provides **substantial** assurance that material risks to the achievement of objectives are adequately managed. The evidence, based on audit coverage last year coupled with the results from previous years, is that risk is generally well managed across the control spectrum although some weaknesses were identified.

 Internal control within Forest Research continues to provide **substantial** assurance that material risks to the achievement of objectives are adequately managed. The evidence based on audit coverage last year coupled with the results from previous years, is that risk is generally well managed across the control spectrum with no major weaknesses identified.

Major changes in the governance and control framework have taken place as a result of the structural changes. These include reallocation of responsibility in a number of key areas, both in terms of personnel involved and the way they are managed. Some of these changes have taken time to bed in and it is only now that the Head of Internal Audit can properly evaluate the impact on control. A review of the effectiveness of the corporate governance framework and associated risk

management processes at country level is planned in 2004 - 05.

## 6. Significant internal control problems

The Forestry Commission England/Great Britain Corporate Plan for 2003 - 04 set a budget of £18.5 million for expenditure to deliver woodland programmes under the England Rural Development Programme (ERDP) through the Woodland Grant Scheme and Partnership working. The budget and programmes were reached by claims received and payments made by the middle of February 2004 as the level and profile of grant payments in 2003 - 04 was different from recent years. Forestry Commission England had no available resources with which to continue to pay grants in 2003 - 04 after mid-February without incurring an excess vote. Approval of the Forestry Minister was obtained for all claims approved after mid-February to be delayed for payment until 1 April. This resulted in additional payments in compliance with the Late Payment of Commercial Debts (Interest) Act 1998.

Faced with the exceptional demand for woodland grants, the Forestry Commission closed the Woodland Grant Scheme in England to new applications with effect from 28 June 2004. We have also reviewed the budgeting and financial controls for the payment of grants related to existing commitments in England. We are in the process of developing a new computer system for the control of grant commitments and payments under the new English Woodland Grant Scheme opening in 2005-06.

**TJD Rollinson**  
**Accounting Officer**  
18 October 2004



## FORESTRY COMMISSION ENGLAND/GB

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

I certify that I have audited the financial statements on pages 100 to 133 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 106 to 109.

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

As described on page 92, the Accounting Officer is responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the other contents of the Accounts. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied 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 Annual Report is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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

I review whether the statement on pages 93 to 97 reflects the Department's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

#### **Basis of audit opinion**

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




preparation of the financial statements, and of whether the accounting policies are appropriate to the Department's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In my opinion:

 the financial statements give a true and fair view of the state of affairs of the Forestry Commission England/GB at 31 March 2004 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the year then ended, and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and

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

I have no observations to make on these financial statements.

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

25 October 2004





## SCHEDULE 1

### Forestry Commission England/Great Britain

Summary of Resource Outturn (£000s)  
for the year ended 31 March 2004

	2003 - 04 Estimate			2003 - 04 Outturn			Net total compared With Estimate Saving/ (excess)	2002 - 03 Prior year outturn
	Gross Expenditure	A-in-A	NET TOTAL	Gross Expenditure	A-in-A	NET TOTAL		
Request for resources 1	82,904	-	82,904	77,648	-	77,648	5,256	99,118
Total Resources	82,904	-	82,904	77,648	-	77,648	5,256	99,118
Net cash requirement	-	-	63,014	-	-	58,907	4,107	61,632

#### Explanation of the variance between Estimate and Outturn (net total resources):

The Forestry Commission England/GB recorded an under spend of £5.3m on actual resource expenditure over estimate, and is explained by the following:

- (1) Forest Enterprise cost of capital was below estimate by £6.4m.
- (2) Operating income reduced by £1.4m on estimate where the continued reduction in timber income from poor market conditions was counterbalanced to some extent by improvement in income from the newly modernised Deerpark (Cornwall) log cabin site. Operating expenditure incurred an adverse variance of £4.0m on estimate. 2003 - 04 was a transitional year for introducing the structural changes arising from the Forestry Devolution Review and this has affected the allocation of business unit and head office costs. Capital expenditure exceeded Estimate by £0.6m

(3) Forestry Commission England incurred £1.5m additional expenditure on administrative costs. As stated in (2) above, this was due to structural changes arising from the Forestry Devolution Review.

(4) Grants paid to private woodland owners was on par with estimate whereas EU receipts were down by £1.6m. Other net programme costs exceed estimate by £1.6m.

(5) The structural changes arising from the Forestry Devolution Review resulted in a saving of £4.2m on administration costs in Forestry Commission GB.

(6) Estimate includes £1.5m transferred to Forestry Commission Scotland and Forestry Commission Wales post the Forestry Devolution Review.

#### Explanation of the variance between Estimated net cash requirement and Outturn (net cash requirement):

The Forestry Commission England/GB recorded an under spend of £4.1m on actual cash expenditure over estimate.



### Prior-period adjustments:

The prior year Total Resources Outturn has been adjusted by Forest Enterprise England net capital spend of £11,499,000 and depreciation of £2,331,000. Please refer to note 7.

## SCHEDULE 1

### Forestry Commission England/Great Britain

for the year ended 31 March 2004

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

	Forecast 2003 - 04		Outturn 2003 - 04	
	Income	Receipts	Income	Receipts
Income from fees not classified as A in A	-	-	-	-
Income from the sale of assets not classified as A in A	-	-	-	-
	-	-	-	-

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

	Note	Net total outturn compared with estimate:		
		Estimate	Outturn	saving/(excess)
<b>Net total resources</b>		82,904	77,648	5,256
<b>Capital:</b>				
• Purchase of fixed assets	8/9	833	1,949	(1,116)
• Investments		-	-	-
<b>Non-operating cost A in A:</b>				
<b>Accruals adjustments:</b>				
• Non-cash items	4	(1,473)	(1,929)	456
• Changes in working capital other than cash	10	100	(2,603)	2,703
• Changes in creditors falling due after more than one year		-	-	-
• Use of provision	15	-	945	(945)
• Non-cash inter-country transfers	16	-	446	(446)
<b>Other adjustments:</b>				
• Adjustment of FE net deficit to financing	7	(19,350)	(17,549)	(1,801)
<b>Net cash requirement</b>		<b>63,014</b>	<b>58,907</b>	<b>4,107</b>

## SCHEDULE 2

### Forestry Commission England/Great Britain Operating Cost Statement

for the year ended 31 March 2004

	Note	2003 - 04		2002 - 03	
		£000	£000	£000	£000
<b>Administration Costs</b>					
Staff costs	3	23,443			20,910
Other administration costs	4	20,724			20,500
<b>Gross Administration Costs</b>			<b>44,167</b>		<b>41,410</b>
Operating income	5		(19,074)		(15,147)
<b>Net Administration Costs</b>			<b>25,093</b>		<b>26,263</b>
<b>Programme Costs:</b>					
Request for Resources 1					
Expenditure	6	61,427		72,821	
Less income					
EU receipts		(5,116)		(5,423)	
Other income		(4,564)		(3,711)	
	5	(9,680)		(9,134)	
<b>Net Programme Costs</b>			<b>51,747</b>		<b>63,687</b>
<b>Net Operating Costs</b>	7		<b>76,840</b>		<b>89,950</b>
<b>Net Resource Outturn</b>	7		<b>77,648</b>		<b>99,118</b>

### Statement of Recognised Gains and Losses

for the year ended 31 March 2004

	Note	2003 - 04		2002 - 03	
		£000	£000	£000	Restated £000
Net gain on revaluation of tangible fixed assets	17		422		561
<b>Total recognised gains and losses for the year</b>			<b>422</b>		<b>561</b>

There have been no acquisitions and discontinued operations during the year.

The notes on pages 106 to 126 form part of these accounts.



## SCHEDULE 3

### Forestry Commission England/Great Britain

#### Balance Sheet

as at 31 March 2004

		2003 - 04		2002 - 03 Restated	
	Note	£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible assets	8	13,322		12,649	
Intangible assets	9	1,023		-	
			<b>14,345</b>		<b>12,649</b>
Debtors falling due after more than one year	12		<b>164</b>		<b>246</b>
<b>Current Assets</b>					
Stocks	11	1,563		787	
Debtors	12	6,480		6,432	
Cash at bank and in hand	13	4,164		1,823	
		12,207		9,042	
<b>Creditors (amounts falling due within one year)</b>	14	<b>(15,008)</b>		<b>(9,294)</b>	
Net Current Assets			<b>(2,801)</b>		<b>(252)</b>
Total assets less current liabilities			<b>11,708</b>		<b>12,643</b>
Provisions for liabilities and charges	15	(1,780)		(2,154)	
			<b>(1,780)</b>		<b>(2,154)</b>
			<b>9,928</b>		<b>10,489</b>
Taxpayers' equity:					
General fund	16		4,955		5,811
Revaluation reserve	17		4,973		4,678
			<b>9,928</b>		<b>10,489</b>

The notes on pages 106 to 126 form part of these accounts.

TJD Rollinson  
Accounting Officer  
18 October 2004

## SCHEDULE 4

### Forestry Commission England/Great Britain

#### Cash Flow Statement

as at 31 March 2004

		2003 - 04	2002 - 03
	Note	£000	£000
Net cash outflow from operating activities		(56,958)	(60,688)
Capital expenditure and financial investment	8/9	(1,949)	(944)
Payment of amount due to Consolidated Fund		(1,766)	(4,315)
Financing		63,014	63,398
<b>Increase/(Decrease) in cash in the period</b>	13	<b>2,341</b>	<b>(2,549)</b>

#### Reconciliation of operating cost to operating cash flows

<b>Net operating cost</b>		<b>(76,840)</b>	<b>(89,950)</b>
Adjustments for non-cash transactions	4	1,929	1,650
Non-cash inter-country transfers	16	(446)	11
Forest Enterprise England non-cash adjustments	7	16,741	23,485
Adjustments for movements in working capital other than cash	10	2,603	4,747
Use of provisions	15	(945)	(631)
<b>Net cash outflow from operating activities</b>		<b>(56,958)</b>	<b>(60,688)</b>

#### Analysis of capital expenditure and financial investment

Tangible fixed asset additions	8	(926)	(944)
Intangible fixed asset additions	9	(1,023)	-
Proceeds of disposal of fixed assets		-	-
Loans to other bodies		-	-
Repayment of loans to other bodies		-	-
<b>Net cash outflow from investing activities</b>		<b>(1,949)</b>	<b>(944)</b>

#### Analysis of financing and reconciliation to the net cash requirement

Financing from Westminster Consolidated Fund (supply)		63,014	63,398
Payment of amount due to Consolidated Fund		(1,766)	(4,315)
(Increase)/decrease in cash	13	(2,341)	2,549
<b>Net cash requirement (Schedule 1)</b>		<b>58,907</b>	<b>61,632</b>

Amount of grant actually issued to support the net financing requirement = £63,014,000.

The notes on pages 106 to 126 form part of these accounts.



## SCHEDULE 5

### Forestry Commission England/Great Britain

#### Resources by Departmental Aim and Objective

for the year ended 31 March 2004

	2003 - 04			2002 - 03		
	Gross expenditure £000	Income £000	Net expenditure £000	Gross expenditure £000	Income £000	Net expenditure £000
<b>England Objectives</b>						
Increase the contribution of forests and woodlands to local economies and rural development	41,435	(3,533)	37,902	45,874	(3,414)	42,460
Expand the role of woodlands in supporting the economic regeneration of former industrial land and disadvantaged communities	2,248	(521)	1,727	2,314	(476)	1,838
Promote public access to woods and forests and develop diverse recreational opportunities	8,816	(770)	8,046	14,607	(771)	13,836
Conserve and improve biodiversity, landscape and cultural heritage of our forests and woodlands	14,376	(2,453)	11,923	15,127	(2,846)	12,281
<b>England Net Operating Costs</b>	<b>66,875</b>	<b>(7,277)</b>	<b>59,598</b>	<b>77,922</b>	<b>(7,507)</b>	<b>70,415</b>
<b>Great Britain Objective</b>						
To take the lead in development and promotion of sustainable forest management and to support its achievement nationally	38,719	(21,477)	17,242	36,309	(16,774)	19,535
<b>Great Britain Net Operating Costs</b>	<b>38,719</b>	<b>(21,477)</b>	<b>17,242</b>	<b>36,309</b>	<b>(16,774)</b>	<b>19,535</b>
<b>England/GB Net Operating Costs</b>	<b>105,594</b>	<b>(28,754)</b>	<b>76,840</b>	<b>114,231</b>	<b>(24,281)</b>	<b>89,950</b>

See note 18 for explanation of apportionments across objectives.

The notes on pages 106 to 126 form part of these accounts.



## NOTES TO THE RESOURCE ACCOUNTS

### 1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2003 - 04 Resource Accounting Manual (RAM) issued by HM Treasury. The accounting policies contained in the RAM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where RAM permits a choice of accounting policy, the accounting policy that has been judged to be most appropriate to the particular circumstances of the department for the purpose of giving a true and fair view has been selected. The department's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### A. Accounting Convention

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

#### B. Basis of Preparation of Accounts

These accounts reflect the assets, liabilities and results of the core-department Forestry Commission England and Forest Research together with international matters and topics, which though devolved, are agreed to be best delivered for Great Britain (GB) as a whole. Forest Enterprise England, an executive agency, is a public corporation for

national accounting and as such is outside the boundary for resource accounting purposes. The Forest Enterprise England accounts are published separately in the Forestry Commission annual report and accounts for England/GB with the net funding of Forest Enterprise England reflected in these accounts.

#### C. Tangible Fixed Assets

Legal ownership of all land and buildings is vested in the Secretary of State with legal ownership of the timber, including uncut trees, vested in the Forestry Commissioners. Where Forest Enterprise England is the principal beneficial user of the assets of the Forestry Commission estate they are treated as a fixed asset of the agency. Freehold land and buildings are assessed at 3-yearly intervals by professionally qualified staff employed by the Forestry Commission following the principles set out in the RICS Appraisal and Valuation Standards. Wherever possible, they are valued on the basis of open market value (OMV) taking account of all relevant circumstances which may affect value. In those infrequent cases where it is not possible to assess the OMV, they are assessed on the basis of depreciated replacement cost (DRC). They are restated to current value in the intervening years using indices provided by the District Valuer.

Legal ownership of other tangible fixed assets, primarily office equipment, is vested in the Forestry Commissioners. Office equipment values are restated to current value annually using a general price index supplied by the Office for National Statistics.



The normal threshold for the capitalisation of assets is £2,000 for buildings and £1,500 for office equipment. Items of office machinery and furniture, if treated singly, would fall below the capitalisation threshold but collectively they represent a significant asset and accordingly, are capitalised as a pooled asset.

#### **D. Depreciation**

Freehold land is not depreciated.

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

Dwellings and other buildings - 10 to 60 years

Plant and machinery - 3 to 16 years

IT - 5 to 20 years

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

#### **E. Intangible assets**

From 1 April 2003, purchased software with an acquisition value of £5,000 or more is recognised as an intangible fixed asset. Assets are amortised over their expected useful economic life to a maximum of seven years. Management carries out an annual review of software and expected economic lives. Prior to 1 April 2003, software licences were charged to the income and expenditure account in the period in which they were occurred.

#### **F. Investments**

The Forestry Commission England/GB resource accounts have previously included the value of the net assets of Forest Enterprise as a fixed asset investment. During 2003 - 04, the Treasury undertook a review of the guidance on the accounting treatment of Public Corporations in resource accounts, in terms of valuing the investment in accordance with the Resource Accounting Manual, paragraph 3.10.3. On examination, they concluded that the Forestry Commission England/GB should not have recorded an investment in Forest Enterprise, as there is no loan or equity investment. Consequently, Forest Enterprise England has not been included in the 2003 - 04 resource accounts.

#### **G. Stocks and work in progress**

Stocks and work in progress are valued as follows:

- a. finished goods and goods for resale are valued at cost or, where materially different, current replacement cost, and at net realisable value only when they either cannot or will not be used;
- b. work in progress is valued at the lower of cost, including appropriate overheads, and net realisable value;
- c. 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.





#### **H. 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.

#### **I. Research and Development**

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

#### **J. Administrative and Programme Expenditure**

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running Forestry Commission England/GB, together with associated operating income, and programme costs include payments of grants.

#### **K. European Union (EU) Funding**

The Forestry Commission acts as an agent of the EU for third party grants paid from Objective 1 and Woodland Grant Scheme payments made under the national European Agricultural Guarantee and Guidance Fund. The Forestry Commission undertakes to pay planting grants in three instalments whilst grants for the management of existing woodlands are payable annually in arrears during the five-year currency of an approved plan. Grants become payable (and are

recognised as a liability in the balance sheet), and contributions from the EU are claimed, once any necessary physical inspection has been undertaken to verify that the scheme conditions have been met. If grants are subsequently recovered because of failure to fulfil the conditions of the Woodland Grant Scheme, the amount of co-financing may be repayable to the EU. EU costs and grants paid are included in programme expenditure and off-setting EU funding/co-financing is included in programme income.

#### **L. Cost of Capital Charges**

Charges, reflecting the cost of capital utilised by the core department in England and Forest Research, have been included under Administration costs in the Operating Cost Statement. The charge is calculated at the Government's standard rate of 3.5% in real terms on the average carrying amount of all assets less liabilities, except for cash balances held by the Office of the Paymaster General and amounts due to be surrendered to the Westminster Consolidated Fund.

#### **M. Value Added Tax (VAT)**

The Forestry Commission is registered for VAT. In order to comply with government accounting regulations and normal commercial practice, income and expenditure shown in the operating cost statement is net of VAT. The Forestry Commission accounts for VAT on a GB basis with any VAT due to or from HM Customs and Excise at the year end included in the Forestry Commission England/GB accounts as a debtor or creditor. Irrecoverable VAT is charged to the operating cost statement in the year in which it is incurred.



#### **N. Insurance**

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

#### **O. Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded. The Forestry Commission recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

Further information on pensions is contained in Note 3 to the accounts.

#### **P. Provisions**

The Forestry Commission England/GB provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cashflows are discounted using the real rate set by HM Treasury (currently 3.5 per cent).

#### **Q. Operating Leases**

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

#### **R. Third Party Assets**

Forest Enterprise England acts as co-ordinator for the Interreg Project which is funded by the European Union. The purpose of the Interreg Project is to promote recreation and conservation in forestry. The duties of co-ordinators include receiving EU funds on behalf of partners for onward transmission once work programmes have been approved. As third party assets these sums are not recorded on the face of these accounts. A disclosure is made in the accounts of amounts owing to third parties at the balance sheet date.

## **2. Change in accounting for investment**

The Forestry Commission England/GB resource accounts have previously included the value of the net assets of Forest Enterprise as a fixed asset investment. During 2003 - 04, the Treasury undertook a review of the guidance on the accounting treatment of Public Corporations in resource accounts, in terms of valuing the investment in accordance with the Resource Accounting Manual, paragraph 3.10.3. On examination, they concluded that the Forestry Commission England/GB should not have recorded an investment in Forest Enterprise, as there is no loan or equity investment. Consequently, Forest Enterprise England has not been included in the 2003 - 04 resource accounts.

This change had the following effect:

Schedule 3: A decrease in investments of £402,869,000, general fund of £349,835,000 and the revaluation reserve of £53,034,000.



### 3. Staff Numbers and Costs

#### A. Employees and Costs

Forestry Commission England employed an average number of whole time equivalent persons of 162.

The payroll costs were:

	2003 - 04	2002 - 03
	£000	£000
<b>Forestry Commission England (excluding GB staff costs)</b>		
Wages and salaries	4,187	3,904
Social security costs	329	265
Other pension costs	566	513
Agency/temporary staff	1	-
	<b>5,083</b>	<b>4,682</b>

A further 600 staff were employed on a GB basis, which includes Forest Research, to provide support to Forestry Commission activities in all three countries and to its agencies. There is no directly comparable figure for 2002 - 03 as this year's figure reflects the structural changes arising from the Forestry Devolution Review. The payroll costs were:

	2003 - 04	2002 - 03
	£000	£000
<b>Forestry Commission GB</b>		
Wages and salaries	15,112	13,541
Social security costs	1,180	935
Other pension costs	1,994	1,752
Agency/temporary staff	9	-
	<b>18,295</b>	<b>16,228</b>
Inward secondments	65	-
<b>Total</b>	<b>18,360</b>	<b>16,228</b>
Less recoveries in respect of outward secondments	(136)	-
<b>Total net costs</b>	<b>18,224</b>	<b>16,228</b>

The aggregate payroll costs for Forestry Commission England/GB support services were:

Forestry Commission England/GB	2003 - 04	2002 - 03
	£000	£000
<b>Total costs per schedule 2</b>	<b>23,443</b>	<b>20,910</b>
Less recoveries in respect of outward secondments	(136)	-
<b>Total net costs</b>	<b>23,307</b>	<b>20,910</b>



Staff were covered by the Principal Civil Service Pension Scheme (PCSPS). The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Forestry Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2003 - 04, employers' contributions of £2,551,000 were payable to the PCSPS (£2,265,000 in 2002 - 03) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Rates will remain the same next year, subject to revalorisation of the salary bands, but will increase from 2005 - 06. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £4,179.83 were paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent

of pensionable pay. In addition, employer contributions of £245.52, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

Benefits in kind are provided under the following schemes, subject to conditions and financial limits:

- i. advances of salary for house purchase;
- ii. advances of salary for purchase of travel season tickets;
- iii. car provision scheme.

The advances of salary for house purchase scheme had 30 loans with an outstanding balance of £2,500 or more to individual members of staff at 31 March 2004. The total value of these loans was £202,000.

## B. Salary and Pension Entitlements

The salary and pension entitlements of the Forestry Commissioners and senior staff were as follows:

	Salary, including performance pay £k	Benefits in kind (rounded to nearest £100)	Real increase in pension and related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31/3/04 and related lump sum (£k)	CETV at 31/3/03 (nearest £k)	CETV at 31/3/04 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Employer contribution to partnership pension account including risk benefit cover - to nearest £100
<b>2003 - 04</b>								
<b>Chairman</b>								
Rt. Hon Lord Clark of Windermere	45-50	-	-	-	-	-	-	-
<b>Executive Forestry Commissioners</b>								
David Bills CBE (to 31 January 2004)	110-115	-	0-2.5 plus 2.5-5.0 lump sum	10-15 plus 30-35 lump sum	153	176	16	-
Tim Rollinson (from 1 February 2004)	85-90	-	2.5-5.0 plus 10.0-12.5 lump sum	25-30 plus 85-90 lump sum	370	445	52	-
Duncan Macniven TD (to 31 July 2003)	40-45	-	-	-	-	-	-	-
Bob McIntosh	85-90	£1,400	0-2.5 plus 5.0-7.5 lump sum	30-35 plus 95-100 lump sum	420	468	27	-
Simon Hewitt	60-65	-	0-2.5 plus 5.0-7.5 lump sum	20-25 plus 60-65 lump sum	321	371	37	-
Paul Hill-Tout	75-80	-	2.5-5.0 plus 7.5-10.0 lump sum	20-25 plus 65-70 lump sum	244	303	44	-
<b>Non Executive Forestry Commissioners</b>								
Anthony Bosanquet	5-10	-	-	-	-	-	-	-
Gareth Wardell	10-15	-	-	-	-	-	-	-
Dr Victoria Edwards	5-10	-	-	-	-	-	-	-
John James OBE (to 17 January 2004)	-	-	-	-	-	-	-	-
Martin Gale (from 1 May 2003)	5-10	-	-	-	-	-	-	-
Andrew Raven	10-15	-	-	-	-	-	-	-
Tony Cooper	-	-	-	-	-	-	-	-



	Salary, including performance pay £k	Benefits in kind (rounded to nearest £100)	Real increase in pension and related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31/3/04 and related lump sum (£k)	CETV at 31/3/03 (nearest £k)	CETV at 31/3/04 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Employer contribution to partnership pension account including benefit cover - to nearest £100
<b>National Committee for England</b>								
Geoff Hatfield	75-80	-	0-2.5 plus 2.5-5.0 lump sum	25-30 plus 75-80 lump sum	373	413	22	-
<b>Senior Staff Group</b>								
Jim Anderson	60-65	-	2.5-5.0	35-40	502	576	51	-
Professor Jim Lynch (from 1 July 2003)	50-55	-	0-2.5	0-5.0	-	10	9	-
Frank Strang (to 31 August 2003)	25-30	-	0-2.5 plus 0-2.5 lump sum	10-15 plus 35-40 lump sum	149	160	6	-
Wilma Harper (from 1 September 2003)	60-65	-	0-2.5	20-25	228	257	15	-
David Henderson-Howat	65-70	-	0-2.5 plus 2.5-5.0 lump sum	20-25 plus 60-65 lump sum	289	326	18	-
Peter Ranken	65-70	-	0-2.5 plus 2.5-5.0 lump sum	25-30 plus 80-85 lump sum	422	466	18	-
Mike Lofthouse	65-70	-	0-2.5 plus 2.5-7.5 lump sum	25-30 plus 85-90 lump sum	502	552	28	-
Keith Gliddon	55-60	-	0-2.5 plus 2.5-5.0 lump sum	20-25 plus 60-65 lump sum	311	346	20	-
Craig Heaney	65-70	£900	2.5-5.0 plus 7.5-10.0 lump sum	25-30 plus 85-90 lump sum	445	508	44	-
Peter Freer-Smith	60-65	£1,000	0-2.5 plus 2.5-5.0 lump sum	15-20 plus 50-55 lump sum	225	248	13	-
Alan Mitchell	60-65	-	0-2.5 plus 2.5-5.0 lump sum	30-35 plus 90-95 lump sum	515	560	23	-
Roger Herbert	60-65	-	0-2.5 plus 2.5-5.0 lump sum	30-35 plus 90-95 lump sum	482	530	24	-
Ian Forshaw	50-55	£100	0-2.5 plus 2.5-5.0 lump sum	15-20 plus 50-55 lump sum	229	257	18	-



	Salary	Benefits in kind
	£000	£
<b>2002 - 03</b>		
<b>Chairman</b>		
Rt Hon Lord Clark of Windermere	45-50	-
<b>Executive Commissioners</b>		
David Bills CBE	110-115	-
Duncan Macniven TD	80-85	-
<b>Non-Executive Commissioners</b>		
Anthony Bosanquet	5-10	-
Tom Bruce Jones CBE (to 31 March 2003)	5-10	-
Tony Cooper	0-5	-
Dr Victoria Edwards	5-10	-
John James OBE	5-10	-
Andrew Raven	5-10	-
Gareth Wardell	5-10	-
<b>Senior GB staff</b>		
Frank Strang	55-60	-
Jim Anderson	55-60	-
Tim Rollinson	75-80	-
Roger Herbert	60-65	-
Jim Dewar (to 30 May 2002)	10-15	-
Peter Freer-Smith (from 30 May 2002)	60-65	£800
<b>Chief Conservator England</b>		
Paul Hill-Tout	65-70	-

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

### Salary

'Salary' includes gross salary and performance bonuses.

### Pension

Pension benefits are provided through the CSP arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic,

premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of



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

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

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

Columns 5 & 6 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 7 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003 - 04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as taxable income. Benefits in kind are given in the form of the private use of a car and house purchase loans.





Equivalent information relating to the Chief Executive and senior management of the Forest Research Agency is given in their separate accounts.

#### Loans to senior GB staff

Loans are made to senior staff in the form of an advance of salary for house purchase. The

loans are made on the same terms as are available to other staff. The amount outstanding at 31 March 2004 amounted to £71,000 (£71,000 at 31 March 2003). Permission to disclose details had not been requested.

## 4. Other Administration Costs

	2003 - 04	2002 - 03
	£000	£000
Travel and subsistence	1,636	1,089
Other expenditure	17,159	18,381
<b>Sub-total</b>	<b>18,795</b>	<b>19,470</b>
Non cash costs		
Cost of capital	347	100
Notional audit fees - audit work	47	48
Notional audit fees - CGA	-	4
Notional audit fees - non-audit work	-	-
Depreciation	870	828
Loss on revaluation reserve	94	16
(Gains)/Losses on disposal of assets	-	34
Provisions		
Provided in year	300	-
Unwinding of discount	271	-
<b>Sub-total</b>	<b>1,929</b>	<b>1,030</b>
<b>Other administration costs</b>	<b>20,724</b>	<b>20,500</b>

As reported last year, a number of structural changes arising from the Forestry Devolution Review took place with effect from 1 April 2003. The Forest Enterprise Head Office functions were either transferred to the countries or became part of a slimmed down Forestry Commission centre in Edinburgh. In addition, each business unit was still run as a discrete Great Britain unit but all expenditure and income was directly accounted against each country. Transitional charging mechanisms were in place for 2003 - 04 which has affected the allocation of business

unit and head office costs to each part of the organisation. It is difficult, therefore, to compare expenditure with the previous year.

Other expenditure includes the cost of shared central services provided to Scotland, Wales and Forest Enterprise England whereas the costs to Forestry Commission England and Forest Research are excluded because these entities are inside the resource account boundary. As part of the Forestry Devolution Review, shared services are defined as those where a single provider



is considered the best solution, in terms of practicality, cost or the needs of stakeholders although primary direction comes from the countries. Six areas of work are identified as shared services:

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

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

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

Forest Holidays is a distinct stand-alone business unit within the Forestry Commission, set up to provide holiday accommodation in the forests on a commercial basis. Within the post devolution structure, it has remained a GB wide business, with a remit for all sites in England, Wales and Scotland. For management purposes, Forest Holidays is part of Forest Enterprise England's recreation and development team but charges for Scotland and Wales are separately accounted for within each country.

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



## 5. Income

	2003 - 04	2002 - 03
	£000	£000
Operating income	19,074	15,147
<b>Administrative Income</b>	<b>19,074</b>	<b>15,147</b>
Planting grant co-financing from EU	5,116	5,423
Other Income	4,564	3,711
<b>Programme income</b>	<b>9,680</b>	<b>9,134</b>

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

## 6. Programme Expenditure

	2003 - 04	2002 - 03
	£000	£000
Support for forestry and the rural economy, including grants paid to private woodland owners	13,490	13,414
Grants paid to private woodland owners from EU receipts	5,116	5,423
Other programme costs, including research and publications	6,184	5,007
<b>Sub-total</b>	<b>24,790</b>	<b>23,844</b>
Forest Enterprise England funding	36,637	48,357
Non-cash costs		
Forest Research cost of capital	-	620
<b>Programme expenditure</b>	<b>61,427</b>	<b>72,821</b>

For 2003 - 04 the Forest Research cost of capital has been charged to administration costs.

## 7. Reconciliation of net operating cost to control total and net resource outturn

	2003 - 04	2002 - 03
	£000	Restated £000
<b>Net operating cost for the year</b>	<b>76,840</b>	<b>89,950</b>
Less Forest Enterprise England depreciation	(2,116)	(2,331)
Add Forest Enterprise England net capital	2,924	11,499
Add non-supply income including CFERs	-	-
Add net deficit on revaluations	-	-
<b>Net resource outturn</b>	<b>77,648</b>	<b>99,118</b>

Forest Enterprise England incurred a deficit on its income and expenditure account of £36,637,000 (£48,357,000 in 2002 - 03). It received cash funding of £19,896,000 (£24,872,000 in 2002 - 03) from the Forestry Commission and the difference is shown under other adjustments in Schedule 1. The difference comprises:



	2003 - 04	2002 - 03 Restated
	£000	£000
<b>Capital</b>		
Net capital	(2,924)	(11,499)
<b>Accruals adjustments</b>		
Cost of capital	14,056	26,712
Non cash items	6,327	5,384
Changes in working capital, including cash	(1,185)	2,484
Use of provisions	467	404
	16,741	23,485
Remove non supply expenditure	(2,116)	(2,331)
Add non supply expenditure	2,924	11,449
<b>Adjustment of FE deficit to financing (schedule 1)</b>	<b>17,549</b>	<b>32,603</b>

## 8. Tangible Fixed Assets

	Land and Buildings	Plant and Machinery	IT	Assets Under Construction	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>					
At 1 April 2003	10,454	-	9,677	-	20,131
Additions	11	7	636	300	954
Transfers	144	383	323	-	850
Disposals	(9)	(35)	(487)	-	(531)
Revaluation to current prices	424	10	-	-	434
Loss on revaluation	-	-	(288)	-	(288)
<b>At 31 March 2004</b>	<b>11,024</b>	<b>365</b>	<b>9,861</b>	<b>300</b>	<b>21,550</b>
<b>Depreciation:</b>					
At 1 April 2003	536	-	6,946	-	7,482
Provided during year	221	4	645	-	870
Transfers	(10)	361	238	-	589
Disposals	(1)	(34)	(496)	-	(531)
Revaluation to current prices	3	9	-	-	12
Loss on revaluation	-	-	(194)	-	(194)
<b>At 31 March 2004</b>	<b>749</b>	<b>340</b>	<b>7,139</b>	<b>-</b>	<b>8,228</b>
<b>Net Book Value at:</b>					
<b>31 March 2004</b>	<b>10,275</b>	<b>25</b>	<b>2,722</b>	<b>300</b>	<b>13,322</b>
1 April 2003	9,918	-	2,731	-	12,649

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

Land and buildings were subject to a triennial revaluation as at 31 March 2002 by professionally qualified land agents employed by the Forestry Commission. They were restated to current values as at 31 March 2003 using indices supplied by the District Valuer. Land and buildings assets comprise both freehold and leasehold assets.

The machinery, plant and equipment assets were restated to current values as at 31 March 2004 using indices supplied by the Office for National Statistics.



Additions to tangible fixed assets includes an amount of £28,000 remaining unpaid at 31 March 2004. 'Payments to acquire tangible fixed assets' in the cash flow statement has been adjusted accordingly to derive the cash spend on capital additions.

## 9. Intangible assets

	Software Licences	Total
	£000	£000
<b>Cost or valuation:</b>		
At 1 April 2003	-	-
Additions	1,023	1,023
Disposals	-	-
Revaluation to current prices	-	-
<b>At 31 March 2004</b>	<b>1,023</b>	<b>1,023</b>
<b>Depreciation:</b>		
At 1 April 2003	-	-
Provided during year	-	-
Disposals	-	-
Revaluation to current prices	-	-
<b>At 31 March 2004</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at:</b>		
<b>31 March 2004</b>	<b>1,023</b>	<b>1,023</b>
<b>1 April 2003</b>	<b>-</b>	<b>-</b>

Intangible assets relates wholly to purchased software licences. Prior to 1 April 2003, software costs were charged to the income and expenditure account in the period they were incurred. From 1 April 2003, software licences has been recognised as an intangible fixed asset. The addition in 2003 - 04 is the value at 31 March 2004 reflecting applied enhancements during the year. Consequently, no amount has been amortised in 2003 - 04.

## 10. Movements in working capital other than cash

	2003 - 04	2002 - 03
	£000	£000
Decrease / (Increase) in Stocks	(776)	93
Decrease / (Increase) in Debtors	34	65
(Decrease) / Increase in Creditors:		
amounts falling due within one year	3,345	4,589
<b>Total</b>	<b>2,603</b>	<b>4,747</b>



## 11. Stocks and work in progress

	2003 - 04	2002 - 03
	£000	£000
Stocks	1,026	625
Raw materials and work in progress	537	162
<b>Total</b>	<b>1,563</b>	<b>787</b>

## 12. Debtors

	2003 - 04	2002 - 03
	£000	£000
<b>Amounts falling due within one year:</b>		
VAT	1,092	1,568
Trade debtors	3,957	4,333
Other debtors	649	286
Prepayments	782	245
	<b>6,480</b>	<b>6,432</b>
<b>Amounts falling due after more than one year:</b>		
Other debtors	164	246
<b>Total</b>	<b>6,644</b>	<b>6,678</b>

## 13. Cash at bank and in hand

	2003 - 04	2002 - 03
	£000	£000
Balance with Office of Paymaster General	4,164	1,823
Cash at commercial banks and cash in hand	-	-
<b>Total</b>	<b>4,164</b>	<b>1,823</b>
Amounts issued from the consolidated fund for supply but not spent at the year end	<b>4,107</b>	<b>1,249</b>
Historic cash surplus to be paid to Westminster consolidated fund	<b>57</b>	<b>57</b>
Other - amounts held on behalf of third parties (Note 14)	-	517



## 14. Creditors

	2003 - 04	2002 - 03
	£000	£000
<b>Amounts falling due within one year:</b>		
Other taxation and social security	1,830	1,580
Trade creditors	8,520	4,683
Other creditors	253	858
Payments received on account	241	350
Amounts held on behalf of third parties	-	517
Historic cash surplus to be paid to Westminster consolidated fund	57	57
Amounts issued from Westminster consolidated fund (supply) but not spent at year end	4,107	1,249
<b>Total</b>	<b>15,008</b>	<b>9,294</b>

Forest Enterprise England acts as co-ordinator for the Interreg Project which is funded by the European Union. The purpose of the Interreg Project is to promote recreation and conservation in forestry. The duties of co-ordinators include receiving EU funds on behalf of partners for onward transmission once work programmes have been approved. As third party assets these sums are not recorded on the face of these accounts. At 31 March 2004 the amount held in Forestry Commission bank accounts on behalf of partners was £41,000. This has subsequently all been transferred to the partners concerned.

## 15. Provision for liabilities and charges

	Early Departure Costs	Legal Claims	Total
	£000	£000	£000
Balance at 1 April 2003	2,154	-	2,154
Provided in the year	150	150	300
Utilised in the year	(945)	-	(945)
Unwinding of discount	271	-	271
<b>Balance at 31 March 2004</b>	<b>1,630</b>	<b>150</b>	<b>1,780</b>

Legal claims relate to compensation claims for injury to employees.



## 16. Reconciliation of net operating cost to changes in general fund

	2003 - 04	2002 - 03
	£000	£000
Net operating cost for the year (Schedule 2)	(76,840)	(89,950)
Parliamentary funding <sup>^</sup>	63,014	63,398
	(13,826)	(26,552)
Forest Enterprise England non-cash adjustments (note 7)	16,741	23,485
	2,915	(3,067)
Notional cost of capital	347	720
Transfer of fixed assets from/to other forestry bodies	261	(45)
Transferred to general fund (realised element of revaluation reserve)	127	-
Non-cash inter-country transfers	(446)	11
Notional audit fees	47	52
Amounts issued from the Consolidated Fund for supply but not spent at year end	(4,107)	(1,249)
<b>Net increase / (decrease) in General Fund</b>	<b>(856)</b>	<b>3,578</b>
General fund as at 31 March 2003	5,811	9,389
<b>General fund as at 31 March 2004 (Schedule 3)</b>	<b>4,955</b>	<b>5,811</b>

A consequence of the re-structuring of the Forestry Commission due to the Forestry Devolution Review, was a significant increase in non-cash inter-country transfers in 2003 - 04, as fixed asset, working capital, revaluation reserve and general fund balances were moved to different parts of the organisation. For 2004 - 05, and subsequent years, non-cash inter-country transfers will return to their low level.

## 17. Revaluation Reserve

	2003 - 04	2002 - 03
	£000	£000
Balance at 1 April 2003	4,678	4,101
Revaluation reserve adjustment to operating cost statement	-	16
Transferred to general fund (realised element of revaluation reserve)	(127)	-
Arising on revaluation during the year	422	561
<b>Balance at 31 March 2004</b>	<b>4,973</b>	<b>4,678</b>





## 18. Schedule 5

Expenditure in Schedule 5 comprises the direct costs incurred by Forestry Commission England's national office and payments made for centrally provided services. An analysis was undertaken to determine the costs attributable to each of the objectives for the core department. In a multi-benefit forestry strategy where many activities will contribute to more than one objective, the allocation of costs has been undertaken by senior staff in each area based on an informed judgement of each activity.

Staff numbers have been apportioned pro rata to the net expenditure on each objective giving:

	2003 - 04	2002 - 03
	No	No
<b>England</b>		
Increase the contribution of forests and woodlands to local economies and rural development	99	84
Expand the role of woodlands in supporting the economic regeneration of former industrial land and disadvantaged communities	5	4
Promote public access to woods and forests and develop diverse recreational opportunities	23	34
Conserve and improve the biodiversity, landscape and cultural heritage of our forests and woodlands	35	30
<b>England Total</b>	<b>162</b>	<b>152</b>
<b>GB</b>		
To take the lead in development and promotion of sustainable forest management and to support its achievement nationally	600	563

## 19. Capital commitments

There were no capital commitments at 31 March 2004.

## 20. Commitments under leases

### Operating leases

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

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

	2003 - 04	2002 - 03
	£000	£000
Building leases expiring within:		
One year	-	25
Two to five years	59	7
More than five years	1,961	1,992
<b>Total</b>	<b>2,020</b>	<b>2,024</b>



## 21. Other financial commitments

Following approval of a management plan for planting proposals, Forestry Commission England undertakes to pay planting grants in three instalments. At 31 March 2004, Forestry Commission England was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £305,000 (£16.1 million in 2002 - 03). 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 £16.9 million at 31 March 2004 (£14.4 million in 2002 - 03). Applications for planting and replanting grants, awaiting approval at 31 March 2004, amounted to £24.5 million (£10.4 million in 2002 - 03).

## 22. Contingent Liabilities

There were no contingent liabilities as at 31 March 2004 (£48,000 at 31 March 2003).

## 23. Losses statement

Losses totalled £245,000 from 64 cases (£348,000 from 79 cases in 2002 - 03).

Special payments totalled £160,000 from 95 cases (£178,000 from 58 cases in 2002 - 03).

Interest and compensation of £126,000 was paid in 2003 - 04 as a result of the late payment of woodland grants.

## 24. Related Party Transactions

Forestry Commission England's executive agency Forest Enterprise England is regarded as a related party. During the year, Forestry

Commission England has had a significant number of material transactions with Forest Enterprise England.

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

In the year to 31 March 2004, Forest Enterprise England entered into the following material transactions involving the non-executive Commissioners of the Forestry Commission:

Martin Gale, a non-executive Forestry Commissioner was, at 31 March 2004, Managing Director of UPM-Kymmene (UK) Ltd and Chairman of Tilhill Forestry Ltd. His role within UPM-Kymmene changed, on 1 May, to Vice President, International Forestry, UPM-Kymmene Corporation. UPM-Kymmene is the parent company of Shotton Paper, Caledonian Paper and Tilhill Forestry Ltd.

The value of purchases from Forest Enterprise England was:

Shotton Paper	£1,875,000
Caledonian Paper	£nil
Tilhill Forestry	£1,080,000

Amounts owing to Forest Enterprise England at 31 March 2004 was:

Shotton Paper	£nil
Caledonian Paper	£nil
Tilhill Forestry	£337,000



## 25. Financial Instruments

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

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

### *Liquidity risk*

The UK Government makes provision for the use of resources by Forestry Commission England/Great Britain, for revenue and capital purposes, in its budget for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the budget. The budget also specifies an overall cash authorisation to operate for the financial year. Forestry Commission England/Great Britain is not, therefore, exposed to significant liquidity risks.

### *Interest-rate risk*

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

### *Foreign currency risk*

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

### **Fair Values**

There is no difference between book value and fair value for the cash at bank shown in Note 11. Fair value for the provisions shown in Note 13 is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury rate of 3.5% in real terms.

## 26. Entities within the departmental boundary

The entities within the boundary during 2003 - 04 were as follows:

- a. **Supply-financed agencies**  
Forest Research Agency
- b. **Non-executive NDPBs:**  
None
- c. **Other entities:**  
None

## 27. Actual outturn - resources and cash

### **Actual outturn - resources**

Actual amount net resources outturn £77,648,298.37. Actual amount of savings in resources over Estimate £5,255,701.63.

### **Actual outturn - cash**

Net cash requirement: Outturn net requirement £58,907,362.36 which is £4,106,637.64 less than Estimate.

In addition, £57,262.37 collected in previous years is to be surrendered to the consolidated fund.



## SCHEDULE 3

### England/Great Britain Core department only Balance Sheet

as at 31 March 2004

		2003 - 04		2002 - 03 Restated	
	Note	£000	£000	£000	£000
<b>Fixed Assets</b>					
Tangible assets	2	2,591		2,271	
Intangible assets	3	987		-	
			<b>3,578</b>		<b>2,271</b>
Debtors falling due after more than one year	5		111		173
<b>Current Assets</b>					
Stocks	4	1,027		625	
Debtors	5	5,920		5,474	
Cash at bank and in hand	6	3,652		1,306	
		10,599		7,405	
Creditors (amounts falling due within one year)	7	(14,293)		(8,117)	
<b>Net Current Assets</b>			<b>(3,694)</b>		<b>(712)</b>
<b>Total assets less current liabilities</b>			<b>(5)</b>		<b>1,732</b>
Creditors (amounts falling due after more than one year)		-		-	
Provisions for liabilities and charges	8	(1,630)		(2,154)	
			<b>(1,630)</b>		<b>(2,154)</b>
			<b>(1,635)</b>		<b>(422)</b>
<b>Taxpayers' equity:</b>					
General fund	9		(1,971)		(712)
Revaluation reserve	10		336		290
			<b>(1,635)</b>		<b>(422)</b>

The notes on pages 128 to 133 form part of these accounts.

TJD Rollinson  
Accounting Officer  
18 October 2004

## NOTES TO THE RESOURCE ACCOUNTS

England/Great Britain

Core-department Balance Sheet 2003 - 04

### 1. Statement of Accounting Policies

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

### 2. Tangible Fixed Assets

	Land and Buildings	Plant and Machinery	IT	Assets Under Construction	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>					
At 1 April 2003	1,190	-	4,339	-	5,529
Additions	-	7	307	300	614
Transfers	(12)	383	384	-	755
Disposals	-	(35)	(399)	-	(434)
Revaluation to current prices	48	10	-	-	58
Impairment	-	-	(288)	-	(288)
<b>At 31 March 2004</b>	<b>1,226</b>	<b>365</b>	<b>4,343</b>	<b>300</b>	<b>6,234</b>
<b>Depreciation:</b>					
At 1 April 2003	37	-	3,221	-	3,258
Provided during year	37	4	344	-	385
Transfers	-	361	269	-	630
Disposals	-	(34)	(414)	-	(448)
Revaluation to current prices	3	9	-	-	12
Loss on revaluation	-	-	(194)	-	(194)
<b>At 31 March 2004</b>	<b>77</b>	<b>340</b>	<b>3,226</b>	<b>-</b>	<b>3,643</b>
<b>Net Book Value at:</b>					
<b>31 March 2004</b>	<b>1,149</b>	<b>25</b>	<b>1,117</b>	<b>300</b>	<b>2,591</b>
<b>1 April 2003</b>	<b>1,153</b>	<b>-</b>	<b>1,118</b>	<b>-</b>	<b>2,271</b>

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

Land and buildings were subject to a triennial revaluation as at 31 March 2002 by professionally qualified land agents employed by the Forestry Commission. They were restated to current values as at 31 March 2003 using indices supplied by the District Valuer. Land and buildings assets comprise both freehold and leasehold assets.

The machinery, plant and equipment assets were restated to current values as at 31 March 2003 using indices supplied by the Office for National Statistics.



### 3. Intangible assets

	Software	Total
	£000	£000
<b>Cost or valuation:</b>		
At 1 April 2003	-	-
Additions	987	987
Disposals	-	-
Revaluation to current prices	-	-
<b>At 31 March 2004</b>	<b>987</b>	<b>987</b>
<b>Depreciation:</b>		
At 1 April 2003	-	-
Provided during year	-	-
Disposals	-	-
Revaluation to current prices	-	-
<b>At 31 March 2004</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at:</b>		
<b>31 March 2004</b>	<b>987</b>	<b>987</b>
<b>1 April 2003</b>	<b>-</b>	<b>-</b>

Intangible assets relates wholly to purchased software. Prior to 1 April 2003, software costs were charged to the income and expenditure account in the period they were incurred. From 1 April 2003, software has been recognised as an intangible fixed asset. The addition in 2003 - 04 is the value at 31 March 2004 reflecting applied enhancements during the year. Consequently, no amount has been amortised in 2003 - 04.

### 4. Stocks and work in progress

	2003 - 04	2002 - 03
	£000	£000
Stocks (publications)	1,027	625

There was no work in progress as at 31 March 2004.

### 5. Debtors

	2003 - 04	2002 - 03
	£000	£000
<b>Amounts falling due within one year:</b>		
VAT	1,092	1,568
Trade debtors	3,554	3,527
Other debtors	628	234
Prepayments	646	145
	5,920	5,474
<b>Amounts falling due after more than one year:</b>		
Trade debtors	-	-
Other debtors	111	173
	111	173
<b>Total</b>	<b>6,031</b>	<b>5,647</b>



## 6. Cash at bank and in hand

	2003 - 04	2002 - 03
	£000	£000
Balance with Office of Paymaster General	3,652	1,306
Cash at commercial banks and in hand	-	-
<b>Total</b>	<b>3,652</b>	<b>1,306</b>
Amounts issued from Westminster Consolidated Funds (supply) but not spent at year end	3,595	1,249
Historic cash surplus to be paid to Westminster consolidated fund	57	57

## 7. Creditors

	2003 - 04	2002 - 03
	£000	£000
<b>Amounts falling due within one year:</b>		
Other taxation and social security	1,830	1,580
Trade creditors	8,079	4,373
Other creditors	220	858
Historic cash surplus to be paid to Westminster consolidated fund	57	57
Amounts issued from the Consolidated Fund for supply but not spent at year end	4,107	1,249
<b>Total</b>	<b>14,293</b>	<b>8,117</b>

Forest Enterprise England acts as co-ordinator for the Interreg Project which is funded by the European Union. The purpose of the Interreg Project is to promote recreation and conservation in forestry. The duties of co-ordinators include receiving EU funds on behalf of partners for onward transmission once work programmes have been approved. As third party assets these sums are not recorded on the face of these accounts. At 31 March 2004 the amount held in Forestry Commission bank accounts on behalf of partners was £41,000. This has subsequently all been transferred to the partners concerned.

## 8. Provision for liabilities and charges

	Early Departure costs	Total
	£000	£000
Balance at 1 April 2003	2,154	2,154
Provided in the year	150	150
Utilised in the year	(945)	(945)
Unwinding of discount	271	271
<b>Balance at 31 March 2004</b>	<b>1,630</b>	<b>1,630</b>

The provision for liabilities and charges relates solely to early retirement compensation payments.



## 9. Reconciliation of net operating cost to changes in general fund

	2003 - 04	2002 - 03
	£000	£000
Net operating cost for the year	(76,866)	(89,954)
Parliamentary funding	63,265	63,382
	(13,601)	(26,572)
Subsidy payments to Forest Enterprise England	16,741	23,485
	3,140	(3,087)
Notional cost of capital	(37)	100
Transfer of fixed assets from/to other forestry bodies	128	(46)
Non-cash inter-country transfers	(430)	2
Notional audit fees	47	48
Amounts issued from the Consolidated Fund for supply but not spent	(4,107)	(1,249)
<b>Net increase / (decrease) in General Fund</b>	<b>(1,259)</b>	<b>(4,232)</b>
General fund as at 31 March 2003	(712)	3,520
<b>General fund as at 31 March 2004</b>	<b>(1,971)</b>	<b>(712)</b>

## 10. Revaluation Reserve

	2003 - 04	2002 - 03
	£000	£000
Balance at 1 April 2003	290	87
Arising on revaluation during the year	46	203
<b>Balance at 31 March 2004</b>	<b>336</b>	<b>290</b>

## 11. Capital commitments

There were no capital commitments at 31 March 2004.

## 12. Commitments under leases

### Operating leases

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

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

	2003 - 04	2002 - 03
	£000	£000
Building leases expiring within:		
One year	-	25
Two to five years	59	7
More than five years	1,961	1,992
<b>Total</b>	<b>2,020</b>	<b>2,024</b>





### 13. Other financial commitments

Following approval of a management plan for planting proposals, Forestry Commission England undertakes to pay planting grants in three instalments. At 31 March 2004, Forestry Commission England was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £305,000 (£16.1 million in 2002 - 03). 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 £16.9 million at 31 March 2004 (£14.4 million in 2002 - 03). Applications for planting and replanting grants, awaiting approval at 31 March 2004, amounted to £24.5 million (£10.4 million in 2002 - 03).

### 14. Contingent Liabilities

There were no contingent liabilities at 31 March 2004 for damages caused to other persons' property or for compensation for personal injury to employees (£nil as at 31 March 2003).

### 15. Losses statement

Losses totalled £242,000 from 62 cases (£348,000 from 79 cases in 2002 - 03).

Special payments totalled £146,000 from 47 cases (£178,000 from 58 cases in 2002 - 03).

Interest and compensation of £126,000 was paid in 2003 - 04 as a result of the late payment of woodland grants.

### 16. Related Party Transactions

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

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

In the year to 31 March 2004, Forest Enterprise England entered into the following material transaction involving non-executive Commissioners:

Martin Gale, a non-executive Forestry Commissioner was, at 31 March 2004, Managing Director of UPM-Kymmene (UK) Ltd and Chairman of Tilhill Forestry Ltd. His role within UPM-Kymmene changed, on 1 May, to Vice President, International Forestry, UPM-Kymmene Corporation. UPM-Kymmene is the parent company of Shotton Paper, Caledonian Paper and Tilhill Forestry Ltd.



The value of purchases from Forest Enterprise England was:

Shotton Paper	£1,875,000
Caledonian Paper	£nil
Tilhill Forestry	£1,080,000

Amounts owing to Forest Enterprise England at 31 March 2004 was:

Shotton Paper	£nil
Caledonian Paper	£nil
Tilhill Forestry	£337,000

## 17. Financial Instruments

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

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

### *Liquidity risk*

The UK Government makes provision for the use of resources by Forestry Commission England/Great Britain, for revenue and capital purposes, in its budget for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the budget. The budget also specifies an overall cash authorisation to operate for the financial year. Forestry Commission England/GB is not therefore exposed to significant liquidity risks.

### *Interest-rate risk*

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

### *Foreign currency risk*

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

### *Fair Values*

There is no difference between book value and fair value for the cash at bank shown in Note 6. Fair value for the provisions shown in Note 8 is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury rate of 3.5% in real terms.



**Accounts Direction given by the Treasury in accordance with Section 5 (2) of the Government Resources and Accounts Act 2000.**

1. This direction applies to those government departments and pension schemes listed in the attached appendix.\*
2. These departments and pension schemes shall prepare resource accounts for the year ended 31 March 2004 in compliance with the accounting principles and disclosure requirements of the edition of the Resource Accounting Manual issued by H M Treasury ("the Resource Accounting Manual") which is in force for 2003 - 04.
3. The accounts for **government departments** shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31 March 2004 and of the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended; and
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
4. The accounts for **pension schemes** shall be prepared so as to:
  - (c) give a true and fair view of the state of affairs at 31 March 2004 and of the net resource outturn and cash flows for the financial year then ended; and

- (d) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

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

**David Loweth**  
**Head of Central Accountancy Team,**  
**Her Majesty's Treasury**

30 January 2004

\* The Forestry Commission was one of the departments listed in the appendix which is referred to.



# Forest Enterprise England Accounts

for the year ended 31 March 2004



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## Foreword

### 1. Accounts Direction

The accounts for Forest Enterprise England have been prepared under a direction given by the Treasury in accordance with Section 7 of the Government Resources and Accounts Act 2000. The direction is produced as an appendix to the accounts.

### 2. Background Information

Forest Enterprise became an executive agency on 1 April 1996 with a remit across Great Britain. Following the recommendations of the Forestry Devolution Review, the agency was trisected on 1 April 2003 to create separate agencies in England, Scotland and Wales.

Forest Enterprise England is part of Forestry Commission England which serves as the forestry department of the Westminster Parliament, advising on, and implementing forestry policies. Through the executive agency, it also manages the public forest estate placed at the disposal of the Forestry Commissioners by the Secretary of State for Environment, Food and Rural Affairs. For its work in England/Great Britain, the Forestry Commission reports to the Secretary of State for Environment, Food and Rural Affairs.

Forestry Commission England is part of the Forestry Commission which is a cross-border government department headed by a Board of Forestry Commissioners established by statute (the Forestry Act 1967, as amended). Since devolution, responsibility for forestry policy has been divided across the three

administrations. Some issues, such as European and international forestry policy and forestry research were reserved by the Westminster Parliament and are still handled by the Forestry Commission. England's interests in such matters are safeguarded by the Forestry Commission England being represented on the Board of the Forestry Commission and also at the Forestry Ministers' Group where policy on reserved matters is discussed.

The Office of National Statistics designated Forest Enterprise England, for national accounting purposes, as a public corporation in January 1999 in accordance with European System of Accounts (ESA) 95. Accordingly, it is outside the departmental boundary for resource accounting purposes with the net funding reflected in the Forestry Commission's consolidated resource accounts for Forestry Commission England/Great Britain.

### 3. Aims and Objectives

The aims and objectives of Forest Enterprise England are described in the Framework Document published in April 2003 and available on the Forestry Commission website at [www.forestry.gov.uk](http://www.forestry.gov.uk). They are designed to assist Forestry Commission England to achieve its overall aim of protecting and expanding England's woodlands and increasing their value to society and the environment. The overall aim of Forestry Commission England is expressed in more detail through the England Forestry Strategy, also to be found on the Forestry Commission website.



The aim of Forest Enterprise England is:-

- ♻️ To manage the public estate owned by the Secretary of State for Environment, Food and Rural Affairs in a sustainable way, so as to contribute towards the economic, social and environmental objectives of the England Forestry Strategy.

The main objectives of Forest Enterprise England are:-

- ♻️ To manage the estate sustainably in all respects (Sustainable forest management);
- ♻️ To increase the contribution of the estate to the rural economy (Economic);
- ♻️ To conserve and enhance the biodiversity, landscape and cultural heritage of the estate (Environmental);
- ♻️ To promote public access to the estate and develop diverse recreational opportunities (Social);
- ♻️ To expand the role of the estate in improving the environment of disadvantaged communities and bringing brownfield land into beneficial public use (Social).

Details of the financial performance targets set for Forest Enterprise England by the Forestry Commission National Committee for England and achievement against those targets are shown in Note 22 to the accounts.

#### 4. Review of Principal Activities

A total of 1.54 million cubic metres of Forest Stewardship Council Certified timber were harvested from the Forestry Commission's forests in England. 65 per cent of the volume was sold as standing trees with the balance coming from Forest Enterprise England's own harvesting activity. Thinning operations contributed 38 per cent of the volume. In extremely difficult market conditions continuing from 2002 - 03, total timber income was £16.8 million. The main problem for marketing has been poor progress on dispatch of conifer small roundwood for which there is an excess supply in the market. This is a consequence of the closure of the Shildon chipboard plant earlier in the year; the switch to 100% recycled fibre at the Shotton newsprint mill; and a major move to sawmill chips by another significant small-roundwood customer.

The Forestry for Economic Regeneration programme includes restoring former industrial land and creating green and attractive settings in which to attract inward investment. The Newlands project, funded by the Northwest Development Agency and managed by the North West England Conservancy, is part of the Regional Development Agency's push to reduce the area of derelict land in the region. The objective is to improve the image of the region by restoring key strategic sites, with an aim of encouraging inward investment and economic growth. The Deputy Prime Minister formally launched the first phase, Newlands 1, in July 2003. It is to be implemented over five years, has a budget of around £23 million



and is operating across Merseyside, Greater Manchester and North Cheshire. It will lead to the restoration of 435 hectares of previously developed brownfield land to community woodlands offering social, economic and environmental benefits.

The Forestry for Recreation, Access and Tourism programme promotes more and better quality public access to woodlands. It also includes opportunities for ensuring that woods and forests continue to be used for a wide range of recreational pursuits as well as supporting the tourism and leisure industries. The 60-cabin site at Keldy in the North York Moors National Park was completely rebuilt in 2003, with money allocated by Treasury from the Capital Modernisation Fund, and is forecast to provide 50,000 bed nights per year.

The Forestry for Environment and Conservation programme embraces the role woodlands can play in conserving and enhancing the character of our environment, our cultural heritage, and in delivering against the government's international commitments on biodiversity and climate change. English Nature has completed assessments of all Sites of Special Scientific Interest (SSSI) and handed on a complete dataset to the Forestry Commission. There are 115,000 hectares of 'woodland SSSIs' of which 41,000 hectares are on the forest estate. The estate also includes 27,000 hectares of other habitats of which 67% are in 'favourable or recovering' condition. Forest Enterprise England carried out an appraisal of all the SSSIs on the forest estate, both woodland and non-woodland. With input from local English Nature staff, Forest Enterprise England has produced a

database listing the reasons for unfavourable condition, the work required to achieve favourable condition and outline costings.

Further information on the activities of Forest Enterprise England is contained in the Annual Report.

## 5. Result for the Year

Forest Enterprise England incurred a net deficit on its income and expenditure account of £36,637,000 compared to £48,357,000 in 2002 - 03. This included loss on impairment on Forest Holidays and OME assets of £2,928,000, written to the income and expenditure account against Management and Development of Estate as described in Note 8 of the Foreword and Notes 1B and 6 to the Accounts. Without these adjustments, the net deficit would have reduced to £33,709,000. A comparison of income and expenditure with the previous year shows that:

- 🌲 The operating deficit increased by £251,000, excluding the loss on impairment of £2,928,000;
- 🌲 Operating income reduced by £1,809,000 where the continued reduction in timber income from poor market conditions was counterbalanced to some extent by improvement in income from the newly modernised Deerpark (Cornwall) log cabin site. Direct comparison of the operating expenditure incurred in 2003 - 04 with the 2002 - 03 expenditure is difficult. As reported last year, 2003 - 04 was a transitional year for introducing the structural changes arising from the



Forestry Devolution Review and this has affected the allocation of business unit and head office costs to each part of the organisation (Note 2);

- 🌲 Net spending on recreation, conservation and heritage increased by £1,151,000. Income improved by £1,084,000 reflecting additional income from recreational and sporting events, partnerships and visitor centres. Expenditure was distorted by the Forestry Devolution Review changes outlined above;
- 🌲 Property sales generated a small loss of £33,000 on a significantly reduced level of income;
- 🌲 Cost of capital reduced by £12,656,000 due to the Treasury discount rate falling from 6% to 3.5% with effect from 1 April 2003.

After adjusting the total deficit for items not involving the movement in cash and for capital expenditure and income, the net cash funding received from the Forestry Commission was £19,896,000 compared to £24,872,000 in 2002 - 03. Net capital expenditure decreased by £8,575,000 as the Forest Holidays cabin sites modernisation programme reached an end and new planting expenditure reduced. Receipts from property sales decreased as a result of a smaller programme of disposals.

## 6. Post-Balance Sheet events

There are no post-balance sheet events.

## 7. Future Developments

On 8 November 2002 the Minister of State for Rural Affairs announced the appointment of Lord Haskins to review the way in which the government's rural policies are delivered. In the Haskins Report published on 11 November 2003, Lord Haskins recommended the creation of an integrated agency to co-ordinate the activities of existing conservation agencies and to manage the emerging environmental programme, arising out of CAP reform. In the Government's initial response the Secretary of State for Environment, Food and Rural Affairs accepted the broad recommendation on the integrated agency and said that her department would also consider how to achieve alignment of the Forestry Commission with the integrated agency. The Rural Strategy 2004 announced on 21 July 2004 sets out the Government's new approach to rural policy and delivery in England. The main implications for Forestry Commission England are:

- 🌲 Ministerial responsibility for forestry will continue to be vested in Defra Ministers;
- 🌲 Responsibility for strategic forestry policy in England will transfer from the Forestry Commission to Defra, as agreed with the Forestry Commissioners;
- 🌲 Responsibility for Defra's delivery in forestry will transfer to the Forestry Commission, with the exception of formal sponsorship of the National Forest Company;





🌲 Forestry Commission England will develop a close partnership with the new integrated agency which comprises functions currently performed by English Nature, and parts of the Countryside Agency and the Rural Development Service;

🌲 Forestry work will in future be grouped under the Natural Resource Protection funding programme for Defra.

An economic analysis of forestry policy in England, undertaken for Defra and H. M. Treasury, was published in April 2003. This examined the economic rationale behind Government's policy goals for forestry, set out in the England Forestry Strategy 1998, together with forestry's contribution to wider government strategies for sustainable development. It formed part of the Review of Forestry Arrangements in England which is informing the Rural Delivery Review. The report recommended that the Forestry Commission England and its Forest Enterprise agency review their activities to deliver more focused and targeted intervention.

The global depression in timber prices is likely to continue to hold timber income at a historically low level during 2004 - 05. Forest Enterprise England is pursuing alternative timber markets, including short-term export opportunities and longer term developments for wood energy production. Increased revenue from modernisation of our Forest Holidays cabin sites and the development of other income streams from use of the forest estate assets will help reduce the shortfall.

Our timber income very much depends upon our certification against the UK Woodland Assurance Standard, which expires in November 2004. Measures have been taken to appoint external auditors to assess our sustainable forestry policies and practice in 2004 - 05 with the objective of securing re-accreditation.

The Countryside and Rights of Way Act 2000 (CROW) makes new provisions for access to the countryside; amend the law relating to nature, conservation and the protection of wildlife, and makes further provision for Areas of Outstanding Natural Beauty. During 2004 - 05, Forestry Commission England will implement the Relevant Authority Function for dedicated woodlands arising from access provision under CROW.

The Forestry Commission has invited the private sector to inject capital into modernising its Forest Holidays business. Forest Holidays currently operates three self-catering log cabin sites and 21 campsites throughout Great Britain, providing 141 self-catering units and over 5,000 touring pitches. It plans to raise £25 million private sector funding to modernise the current touring caravan and campsite network; develop a new 100-cabin site; and create permanent holiday let units on 300 pitches over five campsites. The Invitation to Submit Outline Proposals (ISOP) was issued in July 2004 with a closure date of 13 September 2004. The Forestry Commission is seeking a joint venture partnership to sustain and increase the value of the business and to provide the Forestry Commission with an annual rental payment reflecting the assets



that will be leased to the joint venture company by the Forestry Commission. The start of the partnership arrangements is expected by 30 June 2005.

The Forestry Commission is established under the Forestry Acts and its functions and powers are principally set out in those Acts, in particular the Forestry Act 1967. Neither the Forestry Acts nor the other statutes to which it is subject permit the Forestry Commission to form companies, to participate in joint venture companies or to appoint directors to boards of such companies. This would clearly be a constraint on its ability to participate in such joint ventures as the Forest Holidays Public Private Partnership (PPP). Accordingly, the Forestry Commission proposes to seek an order under the Regulatory Reform Act 2001, amongst other things, to permit it to form and invest in companies, enabling it to take advantage of commercial opportunities, and thereby draw finances from sources other than Government.

## 8. Fixed Assets

The forest estate was subject to a full professional valuation as at 31 March 2003 by a country valuation panel comprising John Clegg & Co., Bidwells and professionally qualified land agents employed by the Forestry Commission. During the year the external, professional members of the panel reviewed their findings and updated these as at 31 March 2004. As a result, the value of the Forest Estate fell by £7,487,000 (2.3%). Average values have remained static since the full professional revaluation and the fall largely reflects reassessment of yield classes.

Non-forest land increased in value by £1,643,000 based on the unequipped agricultural land index provided by the District Valuer.

Additions to dwellings and other buildings amounted to £371,000. The assets were revalued upwards by £3,069,000 using indices provided by the District Valuer.

The refurbishment programme of Keldy and Deerpark forest cabins was completed at a cost in 2003 - 04 of £2,090,000 and £140,000 respectively. The professional valuation at the balance sheet date subsequently valued the buildings at Keldy at £2,900,000 resulting in an impairment of £2,520,000. The valuation of buildings at Deerpark was £2,350,000 resulting in an impairment of £337,000. Impairment of £2,202,000 was recognised in previous financial years.

Purchases of forestry vehicles, machinery and equipment (VME) amounted to £213,000 compared with disposals of £1,701,000. This continues to reflect the move towards assets held under operating leases. Asset values increased by £202,000 based on a valuation of specialist forestry machinery by internal professional staff and using an index provided by the Office for National Statistics for all other assets.

Additions to office machinery and equipment (OME) amounted to £168,000. OME was revalued using an index provided by the Office for National Statistics. The fall in the index primarily reflects lower costs in office technology items such as computers, photocopiers etc.



In-year transfers of VME and OME assets reflect the organisational changes that took place on 1 April 2003 when services were restructured to better reflect the Commission's relationship with the three Administrations.

Buildings under construction at the balance sheet date amounted to £586,000.

### **9. Research and Development**

Forest Research, an executive agency of the Forestry Commission, is responsible for carrying out forest research and allied work. Forest Enterprise England commissions research through the agency and through external contracts awarded by a variety of means including open tender. Although forestry is a devolved subject, Forest Research continues to be funded from Westminster.

### **10. Pensions**

Present and past employees of the Forestry Commission are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The financial status of the scheme is reported in a separate PCSPS scheme statement. The Forestry Commission recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

### **11. Supplier Payment Policy**

Forest Enterprise England complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2003 - 04 indicates that 92.5% of invoices were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

### **12. Employment Policies**

Forest Enterprise England 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 England 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 persons with disabilities, the provision of information to, and consultation with, employees, and the promotion of equal opportunities is available on request from the Personnel Services unit of the Forestry Commission.



### 13. Forestry Commissioners and Permanent Head of Department

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

**Chairman** Rt Hon Lord Clark of Windermere

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#### Executive Forestry Commissioners

David Bills CBE Director General and Deputy Chairman (to 31 January 2004)

Tim Rollinson Director General and Deputy Chairman (from 1 February 2004)\*

Duncan Macniven TD Head of Corporate Services (to 31 July 2003)

Bob McIntosh Director, Forestry Commission Scotland \*

Simon Hewitt Director, Forestry Commission Wales \*

Paul Hill-Tout Director, Forestry Commission England \*

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#### Non-executive Forestry Commissioners

Anthony Bosanquet Commissioner for Wales

Gareth Wardell Commissioner for Wales

Dr Victoria Edwards Commissioner for England

John James OBE Commissioner for England and the environment  
(to 17 January 2004)

Martin Gale Commissioner for Scotland and the forestry industry  
(from 1 May 2003)

Andrew Raven Commissioner for Scotland

Tony Cooper Commissioner for Human Resources

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### National Committee for England

The Committee is appointed under Section 2(3) of the Forestry Act 1967 to, inter alia, undertake any of the functions of the Forestry Commissioners that they may delegate, subject to any restrictions or conditions as they see fit. Non-executive and Senior Staff Group members during the year were:

Rt Hon Lord Clark of Windermere

	Chair and Forestry Commission Chairman
Dr Victoria Edwards	Non-executive Commissioner for England
John James OBE	Non-executive Commissioner for England (to 17 January 2004)
Tony Cooper	Non-executive Commissioner for England (from 18 January 2004)
Judith Webb	Non-executive member
Gerald Dawe	Non-executive member
Alan Taylor	Defra Observer
Paul Hill-Tout	Director, Forestry Commission England and Executive Commissioner
Geoff Hatfield	Chief Executive, Forest Enterprise England



### Other Forestry Commission Senior Staff Group

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

Tim Rollinson	Head of Forestry Group (to 31 January 2004) *
Jim Anderson	Director Personnel Development*
Professor Jim Lynch	Chief Executive, Forest Research Agency (from 1 July 2003) *
Frank Strang	Secretary to Commissioners and Head of Director General's Office (to 31 August 2003) *
Wilma Harper	Secretary to Commissioners and Head of Director General's Office (from 1 September 2003) *
David Henderson-Howat	Special Projects, Forestry Commission Scotland
Peter Ranken	Head of Recreation and Development, Forestry Commission England
Mike Lofthouse	Head of Operations, Forest Enterprise Scotland
Keith Gliddon	Director Finance
Craig Heaney	Head of Engineering Services
Peter Freer-Smith	Chief Research Officer, Forest Research Agency
Alan Mitchell	Head of Business Services Division
Roger Herbert	Head of Country Services
Ian Forshaw	Head of Policy and Business Development, Forestry Commission Scotland

\*Member of the Forestry Commission Executive Board

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

### 14. Auditors

These accounts are audited by the Comptroller and Auditor General.


P Hill-Tout  
Accounting Officer  
18 October 2004





## STATEMENT OF FORESTRY COMMISSION'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES


1. Under Section 7 of the Government Resources and Accounts Act 2000, the Treasury has directed the Forestry Commission to prepare a statement of accounts for Forest Enterprise England for each financial year in the form and on the basis set out in the accounts direction at Appendix 1 to these accounts. The accounts are prepared on an accruals basis and must give a true and fair view of the Forest Enterprise England state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

2. In preparing the accounts the Forestry Commission is required to:

 observe the accounts direction at Appendix 1 to these financial statements, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

 make judgements and estimates on a reasonable basis;

 state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;

 prepare the financial statements on the going concern basis, unless it is inappropriate to assume that Forest Enterprise England will continue in operation.

3. As Principal Accounting Officer, the Director General of the Forestry Commission has designated Director, Forestry Commission England, as the Agency Accounting Officer. His relevant responsibilities as Agency Accounting Officer, including his responsibility for the propriety and regularity for the public finances and for the keeping of proper records, are set out in the Accounting Officers' Memorandum, issued by the Treasury and published in "Government Accounting". Under the terms of the Accounting Officers' Memorandum, the relationship between the department's Principal Accounting Officer and the Agency Accounting Officer, together with their respective responsibilities, is set out in writing.



## STATEMENT ON INTERNAL CONTROL

### 1. Scope of responsibility

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

Forestry is a devolved matter. The Secretary of State for the Environment, Food and Rural Affairs has responsibility for forestry in England as well as certain activities such as international affairs, plant health and forest research which remain reserved by Westminster. Scottish Ministers have responsibility for forestry in Scotland and the Welsh Assembly Government has responsibility for forestry in Wales. On 1 April 2003, the Forestry Commission changed its structure to reflect a step change in co-operation with rural affairs departments in England, Scotland and Wales. This is underpinned by concordats worked up individually between each rural affairs department and the relevant Forestry Commission National Office. The required changes included:

the Forestry Commission's Forest Enterprise agency was devolved into three bodies, including Forest Enterprise England, charged with managing separately the public forests in England, Scotland and Wales;

an Executive and two Non-executive Commissioners for each country were appointed to the Board of Forestry Commissioners. The Board also delegated to National Committees in each country responsibility for country-specific issues; and

a new ministerial committee, involving Ministers from England, Scotland, Wales and Northern Ireland was formed to discuss international issues and any cross-cutting issues where collaboration would be advantageous and to monitor the effectiveness of the new arrangements.

Forestry Commission England, Forestry Commission Scotland and Forestry Commission Wales report directly to their appropriate Minister, providing advice on policy and implementing that policy within the relevant country. Delivery of the policy, as well as the progress against strategy objectives, are overseen in each country by the Forestry Commission's National Committee for England, National Committee for Scotland and National Committee for Wales. The Forestry Commission in each country is led by a Director, who is also a member of the Board of Forestry Commissioners, supported by an Executive Board which meets a minimum of eight times a year. The Forestry Commission also has an Executive Board which assists the Director General and Country Directors in the effective management of the Forestry Commission by providing leadership and setting direction for the Forestry Commission as an organisation.

The Chief Executive of the Agency is responsible, normally through the Director





England, to the Forestry Commission England National Committee and Ministers for the management of the estate, and of the Agency and its staff. The Chief Executive has a right of direct access to the Commissioners, and to the relevant Minister, and will meet them at least once a year. The Chief Executive is a member of the National Committee for England and the Forestry Commission England Executive Board.

The accountability arrangements for the Principal Accounting Officer of the Forestry Commission are set out in the Memorandum at Annex 4.1 of Government Accounting. As from 1 April 2004, Director, Forestry Commission England assumed the Accounting Officer responsibilities as the Additional Accounting Officer for the new Request for Resource 1 (RfR1) relating to the England Forestry Strategy. The exact responsibilities between the Additional Accounting Officer for RfR1 and the Principal Accounting Officer are in a separate Letter of Understanding.

In the absence of a Chief Executive for Forest Enterprise England, I am acting as the Agency Accounting Officer for Forest Enterprise England, responsible for the Agency's accounts and financial procedures, and for the proper, effective and efficient use of resources provided to the Agency within the terms of the Framework Document and in pursuit of the agreed Corporate Plan objectives and targets. Forest Enterprise England operates a separate Management Board to provide leadership and direction for the Agency.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Forest Enterprise England policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Forest Enterprise England for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## 3. Capacity to handle risk

Forest Enterprise England has taken a positive approach to risk management which it feels is entirely appropriate to its role and remit. The process includes a Forestry Commission risk management policy document approved by the Forestry Commission's Executive Board. The Forestry Commission has a departmental Risk Improvement Manager who is supported by a risk champion for each body, including Forest Enterprise England. The Risk Improvement Manager updated the Management Board of Forest Enterprise England on their corporate governance and risk management responsibilities in October 2003. During the year, the Finance Director of Forest Enterprise England has acted as risk




champion for the body, including responsibility for maintenance of the risk register.

#### 4. The risk and control framework

In response to the structural changes and further central developments in the operation of Audit Committees within the public sector, changes to the membership and terms of reference of the Forestry Commission Audit Committee were made during the year. These included strengthening the non-executive representation on the Committee to include a member per country, as well as executive representation from across the organisation to allow the Committee to continue to fulfil its overarching Forestry Commission-wide role. The Committee met four times during the year to agree its revised role and responsibilities and to consider a range of reports from management, internal audit and external audit. For the first time, the Committee advised the Accounting Officers on the draft accounts prior to signature. As part of the Forestry Commission's governance framework, the Board of Commissioners received oral reports on Committee business during the year and a more formal annual report on the discharge of its duties at the end of the year.

The Country Directors and Agency Chief Executives were provided with more detailed advice on the work of Internal Audit in particular, and control in general, via local Internal Control Committees (ICCs):

 The ICC in England covers both Forestry Commission and Forest Enterprise business. The Committee met twice during the year to set its terms of

reference, to establish formal arrangement for the provision of internal audit services and to receive progress reports on audit activity and risk management. In March 2004, the Committee reviewed the results of audit work during the year and agreed an updated audit strategy for 2004 - 05 onwards. The work of the Committee is reported annually to the England National Committee.

Work on implementing the risk management initiative continued during the year with the development of risk registers at both country and agency level. The registers in England were reviewed by the Forestry Commission England Executive Board and Forest Enterprise England Management Board respectively and were also tabled at the March 2004 ICC meeting. At the corporate level, a seminar involving all relevant parts of the organisation, including Internal Audit, was held in early June 2004 to review progress during 2003 - 04 and consider next steps, including training for risk champions. The group will meet again in the autumn to review progress.







The Agency has a service agreement with the Forestry Commission's Internal Audit unit that operates to prescribed Government Internal Audit Standards. The unit submits regular reports, which includes the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control, together with recommendations for improvement. The Audit planning process is subject to regular update to ensure that it remains focussed on the key risks to the Agency.



## 5. Review of effectiveness


As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within Forest Enterprise England who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Executive Board, and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

-  the work of the internal audit team;
-  the work of the accounting inspection team;
-  the work of the health and safety team;
-  the Forestry Commission audit committee and England ICC;
-  the risk improvement manager; and
-  comments made by the external auditors in their management letter and other reports.

The Head of Internal Audit has prepared a suite of annual reports and assurance statements to Country Directors and Agency

Chief Executives, prepared for them in their capacities as Additional and Agency Accounting (Accountable) Officers. The reports include an overall assessment of the adequacy and effectiveness of risk management, control and governance within each entity. The Director General, as Principal Accounting Officer, has received a similar report and assurance statement including any comments specific to the Great Britain core responsibilities. The overall opinion is that internal control within the Forestry Commission generally provides **substantial** assurance that material risks to the achievement of objectives are adequately managed. The evidence, based on audit coverage throughout the Forestry Commission last year, where nearly all the assignments concluded with the same level of **substantial** assurance, coupled with the results from previous years is that risk is generally well managed across the control spectrum although some weaknesses have been identified. This is to be expected in an organisation where a number of activities are devolved to local level. Appropriate management action is being taken to address the risks involved. The overall opinions for the England entities are:

-  Internal control within Forestry Commission England and Forest Enterprise England generally provides **substantial** assurance that material risks to the achievement of objectives are adequately managed. The evidence, based on audit coverage last year coupled with the results from previous years, is that risk is generally well managed across the control spectrum although some weaknesses were identified.



Major changes in the governance and control framework have taken place as a result of the structural changes. These include reallocation of responsibility in a number of key areas, both in terms of personnel involved and the way they are managed. Some of these changes have taken time to bed in and it is only now that the Head of Internal Audit can properly evaluate the impact on control. A review of the effectiveness of the corporate governance framework and associated risk management processes at country level is planned in 2004 - 05.

## 6. Significant internal control problems

No significant internal control problems were identified.

P Hill-Tout  
Accounting Officer  
18 October 2004



## FOREST ENTERPRISE ENGLAND

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

I certify that I have audited the financial statements on pages 154 to 175 under the Government Resources and Accounts Act 2000. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 157 to 161.

#### **Respective responsibilities of the Agency, Director, Forestry Commission England and Auditor**

As described on page 146 the Agency and Director, Forestry Commission England are responsible for the preparation of the financial statements in accordance with the Government Resources and Accounts Act 2000 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Agency and Director, Forestry Commission England are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Government Resources and Accounts Act

2000 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Agency has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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

I review whether the statement on pages 147 to 151 reflects the Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.





### **Basis of audit opinion**

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

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

### **Opinion**

In my opinion:

-  the financial statements give a true and fair view of the state of affairs of Forest Enterprise England at 31 March 2004 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by Treasury; and
-  in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

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

25 October 2004



## FOREST ENTERPRISE ENGLAND

### Income and Expenditure Account for the Year Ended 31 March 2004

		2003 - 04	2002 - 03
	Note	£000	£000
<b>Operating Income</b>			
Sales of Timber		16,835	18,361
Forest Protection and Maintenance		307	391
Management and Development of Estate	2b	7,878	8,077
		<b>25,020</b>	<b>26,829</b>
<b>Operating Expenditure</b>			
Forest Planning		2,895	2,983
Harvesting and Haulage of Timber		10,217	10,133
Forest Roads		2,150	2,566
Forest Protection and Maintenance		12,207	11,698
Management and Development of Estate	2b	10,466	13,667
		<b>37,935</b>	<b>41,047</b>
<b>Operating Deficit</b>		<b>(12,915)</b>	<b>(14,218)</b>
<b>Recreation, Conservation &amp; Heritage</b>			
Income		8,841	7,757
Expenditure		18,474	16,239
		<b>(9,633)</b>	<b>(8,482)</b>
<b>Operating Deficit Net of R,C &amp; H</b>		<b>(22,548)</b>	<b>(22,700)</b>
Surplus/(deficit) on sale of properties	4	(33)	1,055
Deficit		(22,581)	(21,645)
Notional cost of capital	5	(14,056)	(26,712)
<b>Net Deficit for the Year</b>		<b>(36,637)</b>	<b>(48,357)</b>
Transferred to General Fund		<b>(36,637)</b>	<b>(48,357)</b>

There have been no acquisitions and discontinued operations during the year.

*The notes on pages 157 to 175 form part of these accounts.*

### Forest Enterprise England Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2004

		2003 - 04	2002 - 03
	Note	£000	£000
Net deficit for the year		(36,637)	(48,357)
Realised revaluation surplus	13	97	4,269
Revaluation deficit for the year	13	(1,913)	(87,864)
<b>Total recognised gains and losses for the year</b>		<b>(38,453)</b>	<b>(131,952)</b>

*The notes on pages 157 to 175 form part of these accounts.*



## FOREST ENTERPRISE ENGLAND

### Balance Sheet

as at 31 March 2004

		2003 - 04	2002 - 03
	Note	£000	£000
<b>Fixed Assets</b>			
Tangible assets	6	399,948	402,953
Intangible assets		-	-
Debtors falling due after more than one year	8	241	266
<b>Current Assets</b>			
Stocks	7	3,245	1,853
Debtors	8	5,803	5,511
Cash at banks and in hand	9	13	12
		<b>9,061</b>	<b>7,376</b>
Creditors (amounts falling due within one year)	10	(5,808)	(4,987)
<b>Net Current Assets</b>		<b>3,253</b>	<b>2,389</b>
Creditors (amounts falling due after more than one year)	10	(1,856)	(1,942)
Provision for Liabilities and Charges	11	(1,264)	(797)
		<b>(3,120)</b>	<b>(2,739)</b>
<b>Total Assets less Liabilities</b>		<b>400,322</b>	<b>402,869</b>
<b>Capital and Reserves</b>			
General fund	12	349,231	349,835
Revaluation reserve	13	51,024	53,034
Donated Asset Reserve	14	67	-
<b>Total Capital and Reserves</b>		<b>400,322</b>	<b>402,869</b>

*The notes on pages 157 to 175 form part of these accounts.*

P Hill Tout  
Accounting Officer  
18 October 2004





## FOREST ENTERPRISE ENGLAND

### Cash Flow Statement

for the Year Ended 31 March 2004

		2003 - 04	2002 - 03
	Note	£000	£000
<b>Reconciliation of Net Deficit to Operating Cash Flows</b>			
Net deficit for the year		(36,637)	(48,357)
Notional cost of capital		14,056	26,712
Depreciation charges		2,116	2,331
Donated asset reserve released	14	(1)	-
(Profit)/loss on sale of properties	4	(196)	(1,380)
Impairment of tangible fixed assets	6	2,928	4,482
(Profit)/loss on sale of other tangible fixed assets		(140)	(5)
Non-cash inter-country transfers	12	1,620	(44)
(Increase)/decrease in stocks		(1,392)	279
(Increase)/decrease in debtors		(267)	365
Increase/(decrease) in creditors		475	1,820
Increase in provisions		467	404
<b>Net cash outflow from operating activities</b>		<b>(16,971)</b>	<b>(13,393)</b>
<b>Cash Flow Statement</b>			
Net cash outflow from operating activities		(16,971)	(13,393)
<b>Capital</b>			
New planting		(1,122)	(2,637)
Payments to acquire tangible fixed assets		(3,568)	(11,792)
Receipts from sale of properties	4	1,532	2,754
Receipts from sale of other tangible fixed assets		234	176
<b>Net Capital</b>		<b>(2,924)</b>	<b>(11,499)</b>
<b>Net Cash Outflow after Capital</b>		<b>(19,895)</b>	<b>(24,892)</b>
<b>Financing</b>			
Deficit funded by Forestry Commission		19,896	24,872
Increase/(decrease) in cash		1	(20)
<b>Reconciliation of Net Cash Flow to movement in Net Funds</b>			
Increase/(decrease) in cash		1	(20)
Net funds at 1 April 2003		12	32
<b>Net funds at 31 March 2004</b>		<b>13</b>	<b>12</b>

*The notes on pages 157 to 175 form part of these accounts.*



## NOTES TO THE ACCOUNTS

### Note 1 Accounting Policies

#### A. Accounting Convention

In accordance with Section 7 of the Government Resource and Accounts Act 2000, the accounts are drawn up in a format agreed and approved by the Treasury. The accounts are prepared under the modified historical cost convention where assets are reflected at current values. Without limiting the information given, the accounts meet the requirements of Companies Acts and of the Financial Reporting Standards where relevant.

#### B. Tangible Fixed Assets

Legal ownership of all land and buildings is vested in the Secretary of State with legal ownership of the timber, including uncut trees, vested in the Forestry Commissioners. Legal ownership of other tangible fixed assets is vested in the Forestry Commissioners. Where the agency is the principal beneficial user of assets owned by the Secretary of State or Forestry Commissioners these are treated as a fixed asset of the agency. See also "Leases" at J. below.

#### Forest Estate

Between 1993 and 2002, the forest estate was valued every five years on an open market basis (OMV) using regional valuation panels consisting of the Forestry Commission's land agent and two private sector firms. It was done on a forest district basis taking account of the species mix, age, yield class and other relevant factors. The valuation was carried out on the basis of the forest estate being sold in an orderly manner

as between a willing seller and a willing buyer in full accordance with public accountability and assuming its existing use. It was further assumed that no restraints exist, as they do in practice, from title, statute and environmental considerations.

For the purpose of the valuation as at 31 March 2003, the panels were re-organised into country panels comprising the Forestry Commission's country land agent and two external valuers under the direction of the Director Estate Management. The panels agreed that the valuation should be done on the basis of existing use value (EUV) as the valuation is carried out for the purposes of company accounts and they are non-specialised assets occupied by the owners of the interest for the purposes of the business. The valuation was carried out in accordance with the RICS Appraisal and Valuation Standards (the "Red Book") and a valuation instruction agreed with each panel. A valuation certificate was issued by each panel which confirmed that there was no material difference between the EUV and OMV methods of valuation.

In the absence of an annual forestry based index, the Forestry Commission obtained an external professional opinion of the open market value in the intervening years between 1998 and 2003, which was outside the RICS Red Book Guidelines and made without reference to the valuation panels which undertook the 1998 five-year revaluation. This policy will continue to operate during the period up to the next full revaluation as at 31 March 2008.



### **Non-Forest Land**

Non-forest land is assessed at 3-yearly intervals by professionally qualified staff employed by the Forestry Commission following the principles set out in the RICS Red Book. It is valued on the basis of their open market value (OMV) taking account of all relevant circumstances which may affect value. It is restated to current value in the intervening years using an unequipped agricultural land index provided by the District Valuer.

### **Dwellings and Other Buildings**

Dwellings and other buildings are assessed at 3-yearly intervals by professionally qualified staff employed by the Forestry Commission following the principles set out in the RICS Red Book. Wherever possible, dwellings and other buildings are valued on the basis of OMV taking account of all relevant circumstances which may affect value. In those infrequent cases where it is not possible to assess the OMV, they are assessed on the basis of depreciated replacement cost (DRC). They are restated to current value in the intervening years using an index provided by the District Valuer.

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

### **Forest Holidays Land and Buildings**

Forest Holidays land and buildings represent cabin sites and campsites that are operated on a commercial basis. Each site is valued annually using valuations provided by a professional firm of valuers who specialise in the leisure industry. Values are undertaken on an Open Market Value basis following the

principles set out in the RICS Red Book and are based on each site's commercial potential to possible buyers.

### **Plant and Machinery**

Forestry vehicles, machinery and equipment (VME) are revalued every three years by professionally qualified staff employed by the Forestry Commission. They are restated to current value in the intervening years using valuations provided by internal professionally qualified staff for specialist forestry machinery and indices provided by the Office for National Statistics for all other assets.

The normal threshold for capitalisation of assets is £3,000.

### **Fixture and Fittings**

Office machinery and equipment (OME) values are restated to current value each year using indices provided by the Office for National Statistics.

The normal threshold for capitalisation of assets is £1,500.

### **Revaluation Reserve**

The revaluation reserve was restated as at 31 March 1993 when the basis of accounting for the forest estate changed to open market value. On formation of the former Forest Enterprise agency, the balance as at 31 March 1996 was brought forward as the opening revaluation reserve balance but was not apportioned between the classes of asset. The balance as at 31 March 2001 was apportioned between the asset classes, except for the balance on non-forest land and dwellings and other buildings. A further



review of the revaluation reserve balances as at 31 March 2003 resulted in adjustments to the balances held against each class of asset to comply fully with FRS 11 and FRS 15 from 1 April 2003.

With effect from 1 April 2003, the revaluation reserve for each class of asset was adjusted regularly to take account of each disposal, as well as regular adjustments for price movements, to comply with FRS 11 and FRS 15. The adjustment to the forest estate revaluation reserve is calculated on a case by case basis using an appropriate forest district valuation based on species mix, age and yield class.

#### **C. Depreciation of Tangible Fixed Assets**

The forest estate and freehold land are not depreciated.

Depreciation is provided on all other tangible fixed, including donated, assets at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

Land held under a finance lease  
- unexpired term of the lease

Freehold buildings  
- over 1 to 60 years

Buildings held under a finance lease  
- lesser of unexpired term of lease and 60 years

Forestry vehicles, machinery and equipment  
- over 3 to 16 years

Office equipment  
- over 4 to 20 years

#### **D. Donated Assets**

Donated tangible fixed assets are capitalised at their current value on receipt, and this value is credited to the donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year an amount equal to any depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure Account.

#### **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 historic 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. Provision for bad and doubtful debts**

Specific provisions for bad and doubtful debts are set aside based on an annual review.

#### **G. Research and Development**

Expenditure on research and development is treated as an operating cost in the year in which it is incurred and taken to the income and expenditure account.

#### **H. Capital Charge**

A notional charge, reflecting the cost of capital used by Forest Enterprise England, is included in the income and expenditure account. The charge is calculated at the government's standard rate of 3.5% in real terms on the average carrying amount of all assets less liabilities except for cash balances held by the Office of the Paymaster General.

#### **I. Taxation**

Forest Enterprise England is not subject to corporation tax.

The Forestry Commission is registered for value added tax (VAT) and accounts for it on a Great Britain basis, which includes any VAT transactions for Forest Enterprise England. Any VAT due to or from HM Customs and Excise at the year end is included in the Forestry Commission England/Great Britain accounts as a debtor or creditor. Irrecoverable VAT is charged to the income and expenditure account in the year in which it is incurred.

#### **J. Leases**

Where substantially all the risks and rewards of ownership of a leased asset are borne by the Forestry Commission (a Finance Lease), the right to use the asset is recorded as a tangible fixed asset of the agency. A corresponding

debt is recorded to the lessor represented by the minimum lease payments discounted by the Treasury discount rate of 3.5% in real terms. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Costs in respect of operating leases (any lease other than a Finance Lease) are charged on a straight-line basis over the lease term.

Where land held under a lease give the Forestry Commissioners a right to carry out forestry activities on the land, the value of timber including uncut trees, is treated as a fixed asset of the agency. These values are included in the valuation of the Forest Estate.

#### **K. Insurance**

In accordance with normal government accounting practice, Forest Enterprise England carries its own insurance risks.

#### **L. Pensions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a defined benefit scheme and is unfunded. The Forestry Commission recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

Further information on pensions is contained in Note 3 to the accounts.



## M. Provisions

Forest Enterprise England provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cashflows are discounted using the real rate set by HM Treasury (currently 3.5 per cent).

## N. Third Party Assets

Forest Enterprise England acts as co-ordinator for the Interreg Project which is funded by the European Union. The purpose of the Interreg Project is to promote recreation and conservation in forestry. The duties of co-ordinators include receiving EU funds on behalf of partners for onward transmission once work programmes have been approved. As third party assets these sums are not recorded on the face of these accounts. A disclosure is made in the accounts of amounts owing to third parties at the balance sheet date.

## Note 2 Operating Deficit







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

	2003 - 04	2002 - 03
	£000	£000
Depreciation of fixed assets	2,116	2,331
Hire of plant and equipment	738	598
Operating lease rentals:		
Land and buildings	220	168
Other	1,270	1,164
Auditors' remuneration - audit work	45	35
Auditors' remuneration - non-audit work	-	-



As reported last year, a number of structural changes arising from the Forestry Devolution Review took place with effect from 1 April 2003. The Forest Enterprise Head Office functions were either transferred to the countries or became part of a slimmed down Forestry Commission centre in Edinburgh. In addition, each business unit was still run as a discrete Great Britain unit but all expenditure and income was directly accounted against each country. Transitional charging mechanisms were in place for 2003 - 04 which has affected the allocation of business unit and head office costs to each part of the organisation. It is difficult, therefore, to compare expenditure with the previous year.

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

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

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

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

The Forest Research Agency provides research development and survey services to Forest Enterprise England through a service level agreement and charges internal Forest Enterprise England customers in the year. The Forest Research Agency is charged for shared services and business unit costs where appropriate.



b. Income and expenditure from management and development of the estate included in the operating deficit are:

	Income	Expenditure	2003 - 04 Net	2002 - 03 Net
	£000	£000	£000	£000
Forest Holidays	3,642	2,329	1,313	794
Estate Management	2,924	3,276	(352)	111
Loss on impairment	-	2,928	(2,928)	(4,482)
Other	1,312	1,933	(621)	(2,013)
<b>Totals</b>	<b>7,878</b>	<b>10,466</b>	<b>(2,588)</b>	<b>(5,590)</b>

Forest Holidays is a distinct stand-alone business unit within the Forestry Commission, set up to provide holiday accommodation in the forests on a commercial basis. Within the post devolution structure, it has remained a GB wide business, with a remit for all sites in England, Wales and Scotland. For management purposes, Forest Holidays is part of Forest Enterprise England's recreation and development team but charges for Scotland and Wales are separately accounted for within each country.

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

The loss on impairment and loss on revaluation are described in Note 6 to the Accounts.

Other expenditure includes agency work carried out on a full cost recovery basis, net income earned by Mechanical Engineering Services business unit and sale of Christmas trees.

## Note 3 Staff Costs and Numbers

### a. Employees and Costs

The average number of whole time equivalent persons employed in Forest Enterprise England during the year was 927. There is no directly comparable figure for 2002 - 03 as this year's figure reflects the structural changes arising from the Forestry Devolution Review. In 2002 - 03, 750 whole time equivalent persons were employed in Forest Enterprise England, with a further 457 staff employed on a Great Britain basis to provide support to Forest Enterprise activities in all three countries. The aggregate payroll costs were as follows:





	2003 - 04	2002 - 03
	£000	£000
Salaries	18,250	17,308
Social Security Costs	1,315	1,096
Employers Superannuation Costs	2,124	2,028
Agency/temporary staff	38	-
	21,727	20,432

Staff were covered by the Principal Civil Service Pension Scheme (PCSPS). The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Forestry Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2003 - 04, employers' contributions of £2,124,000 were payable to the PCSPS (£2,028,000 in 2002 - 03) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Rates will remain the same next year, subject to revalorisation of the salary bands, but will increase from 2005 - 06. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £4,918.51 were paid to one or more of a panel of four appointed stakeholder pension

providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £330.26, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

Benefits in kind are provided under the following schemes, subject to conditions and financial limits:-

- i. advances of salary for house purchase
- ii. advances of salary for purchase of travel season tickets
- iii. car provision scheme

The advances of salary for house purchase scheme had 24 loans with an outstanding balance of £2,500 or more to individual members of staff at 31 March 2004. The total value of these loans was £263,000.



## b. Salary and pension entitlements

The salary and pension entitlements of the Forestry Commissioners and senior staff were as follows:

	Salary, including performance pay £k	Benefits in kind (rounded to nearest £100)	Real increase in pension and related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31/3/04 and related lump sum (£k)	CETV at 31/3/03 (nearest £k)	CETV at 31/3/04 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Employer contribution to partnership pension account including risk benefit cover - to nearest £100
<b>2003 - 04</b>								
<b>Chairman</b>								
Rt. Hon Lord Clark of Windermere	45-50	-	-	-	-	-	-	-
<b>Executive Forestry Commissioners</b>								
David Bills CBE (to 31 January 2004)	110-115	-	0-2.5 plus 2.5-5.0 lump sum	10-15 plus 30-35 lump sum	153	176	16	-
Tim Rollinson (from 1 February 2004)	85-90	-	2.5-5.0 plus 10.0-12.5 lump sum	25-30 plus 85-90 lump sum	370	445	52	-
Duncan Macniven TD (to 31 July 2003)	40-45	-	-	-	-	-	-	-
Bob McIntosh	85-90	£1,400	0-2.5 plus 5.0-7.5 lump sum	30-35 plus 95-100 lump sum	420	468	27	-
Simon Hewitt	60-65	-	0-2.5 plus 5.0-7.5 lump sum	20-25 plus 60-65 lump sum	321	371	37	-
Paul Hill-Tout	75-80	-	2.5-5.0 plus 7.5-10.0 lump sum	20-25 plus 65-70 lump sum	244	303	44	-
<b>Non Executive Forestry Commissioners</b>								
Anthony Bosanquet	5-10	-	-	-	-	-	-	-
Gareth Wardell	10-15	-	-	-	-	-	-	-
Dr Victoria Edwards	5-10	-	-	-	-	-	-	-
John James OBE (to 17 January 2004)	-	-	-	-	-	-	-	-
Martin Gale (from 1 May 2003)	5-10	-	-	-	-	-	-	-
Andrew Raven	10-15	-	-	-	-	-	-	-
Tony Cooper	-	-	-	-	-	-	-	-
<b>National Committee for England</b>								
Geoff Hatfield	75-80	-	0-2.5 plus 2.5-5.0 lump sum	25-30 plus 75-80 lump sum	373	413	22	-
<b>Senior Staff Group</b>								
Jim Anderson	60-65	-	2.5-5.0	35-40	502	576	51	-
Professor Jim Lynch (from 1 July 2003)	50-55	-	0-2.5	0-5.0	-	10	9	-
Frank Strang (to 31 August 2003)	25-30	-	0-2.5 plus 0-2.5 lump sum	10-15 plus 35-40 lump sum	149	160	6	-



	Salary, including performance pay £k	Benefits in kind (rounded to nearest £100)	Real increase in pension and related lump sum at age 60 (£k)	Total accrued pension at age 60 at 31/3/04 and related lump sum (£k)	CETV at 31/3/03 (nearest £k)	CETV at 31/3/04 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £k)	Employer contribution to partnership pension account including risk benefit cover - to nearest £100
Wilma Harper (from 1 September 2003)	60-65	-	0-2.5	20-25	228	257	15	-
David Henderson-Howat	65-70	-	0-2.5 plus 2.5-5.0 lump sum	20-25 plus 60-65 lump sum	289	326	18	-
Peter Ranken	65-70	-	0-2.5 plus 2.5-5.0 lump sum	25-30 plus 80-85 lump sum	422	466	18	-
Mike Lofthouse	65-70	-	0-2.5 plus 5.0-7.5 lump sum	25-30 plus 85-90 lump sum	502	552	28	-
Keith Gliddon	55-60	-	0-2.5 plus 2.5-5.0 lump sum	20-25 plus 60-65 lump sum	311	346	20	-
Craig Heaney	65-70	£900	2.5-5.0 plus 7.5-10.0 lump sum	25-30 plus 85-90 lump sum	445	508	44	-
Peter Freer-Smith	60-65	£1,000	0-2.5 plus 2.5-5.0 lump sum	15-20 plus 50-55 lump sum	225	248	13	-
Alan Mitchell	60-65	-	0-2.5 plus 2.5-5.0 lump sum	30-35 plus 90-95 lump sum	515	560	23	-
Roger Herbert	60-65	-	0-2.5 plus 2.5-5.0 lump sum	30-35 plus 90-95 lump sum	482	530	24	-
Ian Forshaw	50-55	£100	0-2.5 plus 2.5-5.0 lump sum	15-20 plus 50-55 lump sum	229	257	18	-

	Salary £000	Benefits in kind
<b>2002 - 03</b>		
Bob McIntosh	80-85	-
Bob Farmer	55-60	-
Geoff Hatfield	70-75	£1,900
Hugh Insley	60-65	-
Mike Lofthouse	60-65	-
Ian Forshaw	50-55	£500
Keith Gliddon	50-55	-
Craig Heaney	55-60	£1,400
Peter Ranken	60-65	-
Alan Stevenson	50-55	£400
Peter Weston	45-50	£800



### Salary

i. 'Salary' includes gross salary and performance bonuses.

### Pension

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

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

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

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

Columns 5 & 6 of the above table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 7 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a



payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003 - 04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the

scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

#### **Benefits in kind**

iii. The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as taxable income. Benefits in kind are given in the form of the private use of a car and house purchase loans.

#### **Loans to senior staff**

Loans are made to senior staff in the form of an advance of salary for house purchase. The loans are made on the same terms as are available to other staff. The amount outstanding at 31 March 2004 amounted to £71,000 (£71,000 at 31 March 2003). Permission to disclose details had not been requested.

## Note 4 Sale of Properties

	2003 - 04	2002 - 03
	£000	£000
Income	1,532	2,754
Book value	(1,336)	(1,374)
	196	1,380
Disposal costs		
External costs	(67)	(115)
Administration expenses	(162)	(210)
	(229)	(325)
Surplus/(deficit) on sale of properties	(33)	1,055

## Note 5 Notional Cost of Capital

Notional cost of capital based on 3.5% of average total assets less liabilities employed in 2003 - 04 amounted to £14,056,000.



	Forest Estate	Land	Forest Holidays Land	Dwellings and Other Buildings	Forest Holidays Buildings	VME	OME	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Valuation:</b>									
At 1 April 2003	330,305	20,316	1,755	40,543	8,637	9,766	2,221	-	413,543
Additions	1,368	81	-	304	2,230	213	168	586	4,950
Donations	-	-	-	67	-	-	-	-	67
Transfers	-	60	(60)	227	(215)	(958)	(791)	-	(1,737)
Disposals	(427)	(337)	-	(521)	(107)	(1,701)	(225)	-	(3,318)
Revaluation	(7,487)	1,643	560	3,069	358	202	-	-	(1,655)
Impairment	-	-	(60)	-	(2,857)	-	(64)	-	(2,981)
<b>At 31 March 2004</b>	<b>323,759</b>	<b>21,763</b>	<b>2,195</b>	<b>43,689</b>	<b>8,046</b>	<b>7,522</b>	<b>1,309</b>	<b>586</b>	<b>408,869</b>
<b>Depreciation:</b>									
At 1 April 2003	-	-	-	1,119	236	7,418	1,817	-	10,590
Provided during year	-	-	-	1,193	298	555	70	-	2,116
Transfers	-	-	-	17	(16)	(1,563)	(539)	-	(2,101)
Disposals	-	-	-	(29)	(27)	(1,610)	(223)	-	(1,889)
Revaluation	-	-	-	131	-	127	-	-	258
Impairment	-	-	-	-	-	-	(53)	-	(53)
<b>At 31 March 2004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,431</b>	<b>491</b>	<b>4,927</b>	<b>1,072</b>	<b>-</b>	<b>8,921</b>
<b>At 31 March 2004</b>	<b>323,759</b>	<b>21,763</b>	<b>2,195</b>	<b>41,258</b>	<b>7,555</b>	<b>2,595</b>	<b>237</b>	<b>586</b>	<b>399,948</b>
At 1 April 2003	330,305	20,316	1,755	39,424	8,401	2,348	404	-	402,953

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

The forest estate was subject to a full professional revaluation, on the basis of existing use value, as at 31 March 2003 by a country valuation panel comprising John Clegg & Co. Chartered Surveyors, Bidwells Chartered Surveyors and professionally qualified land agents employed by the Forestry Commission. The valuation was adjusted by 2.5% for estimated directly attributable selling expenses. The next full revaluation is due as at 31 March 2008. The results of the professional revaluation are subject to annual review by the external, professional members of the valuation panel. As a result of this review, the value of the Forest Estate fell by £7,487,000.

Non-forest land and buildings were subject to a triennial revaluation as at 31 March 2002 by professionally qualified land agents employed

by the Forestry Commission. The next full revaluation is due as at 31 March 2005 with annual updates in the intervening years based on indices provided by the District Valuer.

Forest Holidays land and buildings were revalued by Barrs and Co. Chartered Surveyors of Leeds as at 31 March 2004. The refurbishment programme of Keldy and Deerpark forest cabins was completed at a cost in 2003 - 04 of £2,090,000 and £140,000 respectively. The professional valuation at the balance sheet date subsequently valued the buildings at Keldy at £2,900,000 resulting in an impairment of £2,520,000. The valuation of buildings at Deerpark was £2,350,000 resulting in an impairment of £337,000. Impairment of £2,202,000 was recognised in previous financial years.



A bird sanctuary at Naggs Head, Forest of Dean, valued at £67,000 was donated to Forest Enterprise England by the Royal Society for the Protection of Birds.

Forestry vehicles, machinery and equipment (VME) were subject to a triennial revaluation as at 31 March 2002 by professionally qualified staff employed by the Forestry Commission. The next full revaluation is due as at 31 March 2005 with annual updates in the intervening years based on valuations provided by internal professionally qualified staff for specialist forestry machinery and

indices provide by the Office for National Statistics for all other assets.

Office machinery and equipment (OME) was restated to current value as at 31 March 2004 using an index provided by the Office for National Statistics.

Additions to tangible fixed assets includes an amount of £260,000 remaining unpaid at 31 March 2004. 'Payments to acquire tangible fixed assets' in the cash flow statement has been adjusted accordingly to derive the cash spend on capital additions.

## Note 7 Stocks

	2003 - 04	2002 - 03
	£000	£000
Timber	359	299
Plants and seed	2,295	933
Consumable materials, supplies and livestock	591	621
	3,245	1,853

## Note 8 Debtors

	2003 - 04	2002 - 03
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade debtors	4,487	4,014
Other debtors	608	516
Prepayments	708	981
	5,803	5,511
<b>Amounts falling due after more than one year:</b>		
Other debtors	241	266
	6,044	5,777

## Note 9 Cash at Banks and In Hand

	2003 - 04	2002 - 03
	£000	£000
Cash at commercial banks and in hand	13	12
	13	12



## Note 10 Creditors




	2003 - 04	2002 - 03
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade creditors	4,019	3,680
Other creditors including taxation and social security costs	1,124	510
Payments received on account	665	797
	5,808	4,987
<b>Amounts falling due after more than one year:</b>		
Finance leases	1,856	1,942
	7,664	6,929

Forest Enterprise England acts as co-ordinator for the Interreg Project which is funded by the European Union. The purpose of the Interreg Project is to promote recreation and conservation in forestry. The duties of co-ordinators include receiving EU funds on behalf of partners for onward transmission once work programmes have been approved. As third party assets these sums are not recorded on the face of these accounts. At 31 March 2004 the amount held in Forestry Commission bank accounts on behalf of partners was £41,000. This has subsequently all been transferred to the partners concerned.

## Note 11 Provision for Liabilities and Charges

	Early departure costs	Public legal claims	Other legal claims	Total
	£000	£000	£000	£000
Balance at 1 April 2003	385	226	186	797
Provided in the year	69	640	125	834
Provisions not required written back	-	(76)	(64)	(140)
Provisions utilised in the year	(162)	(10)	(92)	(264)
Unwinding of discount	37	-	-	37
<b>Balance at 31 March 2004</b>	<b>329</b>	<b>780</b>	<b>155</b>	<b>1,264</b>

Provisions for liabilities and charges include provisions for:

-  Early departure costs.
-  Legal claims from the public for personal injury or damage caused to property.
-  Compensation for injury to employees.





## Note 12 General Fund

	2003 - 04	2002 - 03
	£000	£000
Balance brought forward	349,835	342,380
<b>Movement in year:</b>		
Net deficit for the year	(36,637)	(48,357)
Notional cost of capital	14,056	26,712
Cash deficit funded by Forestry Commission	19,896	24,872
Transfers of fixed assets from/to other Forestry Bodies	364	3
Internal transfers	-	-
Transferred to general fund (realised element of revaluation reserve)	97	4,269
Non-cash inter-country transfers	1,620	(44)
	(604)	7,455
Balance carried forward	349,231	349,835

A consequence of the re-structuring of the Forestry Commission due to the Forestry Devolution Review, was a significant increase in non-cash inter-country transfers in 2003 - 04, as fixed asset, working capital, revaluation reserve and general fund balances were moved to different parts of the organisation. For 2004 - 05, and subsequent years, non-cash inter-country transfers will return to their low level.

## Note 13 Revaluation Reserve

	2003 - 04	2002 - 03
	£000	£000
Cumulative revaluation reserve brought forward	53,034	145,167
<b>Revaluation deficit for the year ended 31 March 2004:</b>		
Forest Estate	(7,487)	(92,222)
Land	1,643	(1,657)
Forest Holidays land	560	-
Forest Holidays buildings	358	202
Dwellings and other buildings	2,938	5,802
VME	75	12
OME	-	(19)
	(1,913)	(87,882)
Transferred to general fund (realised element of revaluation reserve)	(97)	(4,269)
Revaluation reserve adjustments to income and expenditure account	-	18
Balance carried forward	51,024	53,034

The following realised revaluation surpluses were transferred to the General Fund:

	2003 - 04	2002 - 03
	£000	£000
Forest estate	(47)	-
Other land and buildings	(50)	(2,482)
Forest Holidays buildings	-	(1,353)
VME	-	(325)
OME	-	(109)
	(97)	(4,269)



The following adjustments were made to the revaluation reserve and written to the income and expenditure account as described in Note 1B to the Accounts:

	2003 - 04	2002 - 03
	£000	£000
Forest Estate	-	18
	-	18

## Note 14 Donated Asset Reserve

	2003 - 04	2002 - 03
	£000	£000
Balance at 1 April 2003	-	-
Additions during the year	67	-
Revaluations	1	-
Release to I&E	(1)	-
Balance at 31 March 2004	67	-

## Note 15 Capital Commitments

Amounts contracted for but not provided in the accounts amounts to £350,000 and is for the construction of a car park and courtyard development at the Dalby visitor centre in North York Moors.

## Note 16 Commitments under leases

### Operating leases

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

	2003 - 04	2002 - 03
	£000	£000
Land and building leases expiring within:		
One year	7	13
Two to five years	13	-
More than five years	115	97
	135	110
	2003 - 04	2002 - 03
	£000	£000
Other leases expiring within:		
One year	136	412
Two to five years	827	2,955
More than five years	-	19
	963	3,386

### Finance leases

Obligations under finance leases fall due as follows:

	2003 - 04	2002 - 03
	£000	£000
Within one year	-	86
Between two and five years	316	316
In more than five years	1,540	1,540
	1,856	1,942



## Note 17 Other financial commitments

Forest Enterprise England has contract commitments for artist fees and stage rental for the 'Forest Concert Tour 2004' at various venues in England of £740,000. Westonbirt Arboretum is committed to costs of £234,000 at 31 March 2004 for staging the International Festival of Gardens during the summer of 2004.

## Note 18 Contingent Liabilities

There were no contingent liabilities at 31 March 2004 (£nil at 31 March 2003).

## Note 19 Related Party Transactions

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

In addition, Forest Enterprise England has had various material transactions with other government departments and other central government bodies. The main entities within government with which Forest Enterprise England has had dealings are H M Treasury, Welsh Assembly, Scottish Executive, Paymaster General's Office, Customs and Excise, the Inland Revenue and the Department for Environment, Food and Rural Affairs.

In the year to 31 March 2004, the Forestry Commission entered into the following material transactions involving the non-executive Commissioners of the Forestry Commission:

Martin Gale, a non-executive Forestry Commissioner was, at 31 March 2004, Managing Director of UPM-Kymmene (UK) Ltd and Chairman of Tilhill Forestry Ltd. His role within UPM-Kymmene changed, on 1 May, to Vice President, International Forestry, UPM-Kymmene Corporation. UPM-Kymmene is the parent company of Shotton Paper, Caledonian Paper and Tilhill Forestry Ltd.

The value of purchases from Forest Enterprise England was:

Shotton Paper	£1,875,000
---------------	------------

Caledonian Paper	£nil
------------------	------

Tilhill Forestry	£1,080,000
------------------	------------

Amounts owing to Forest Enterprise England at 31 March 2004 was:

Shotton Paper	£nil
---------------	------

Caledonian Paper	£nil
------------------	------

Tilhill Forestry	£337,000
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## Note 20 Losses statement

Losses totalled £99,000 from 40 cases (£325,000 from 55 cases in 2002 - 03).

Special payments totalled £139,000 from 43 cases (£152,000 from 42 cases in 2002 - 03).

## Note 21 Financial Instruments

FRS 13, *Derivatives and Other Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks



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

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

*Liquidity risk*

The UK Government makes provision for the use of resources by Forest Enterprise England, for revenue and capital purposes, in its budget for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the budget. The budget also specifies an overall cash authorisation to operate for the financial year. Forest Enterprise England is not therefore exposed to significant liquidity risks.

*Interest-rate risk*

Forest Enterprise England is not exposed to interest-rate risk.

*Foreign currency risk*

Forest Enterprise England is not exposed to foreign currency risk.

*Fair Values*

There is no difference between book value and fair value for the cash at bank shown in Note 9. Fair value for the provisions shown in Note 11 is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury rate of 3.5% in real terms.

**Note 22 Financial Performance Measures**

The financial performance measures set by the Forestry Commissioners for 2003 - 04 and the actual outturns achieved were:

	Achieved	Target
	£000	£000
Operating deficit	12,915	9,000
Cash deficit	19,896	21,100
Gross receipts from sale of properties	1,532	1,000

The actual operating deficit includes loss on impairment of assets amounting to £2,928,000 which were not included in the target for 2003 - 04. Without this adjustment, the operating deficit would have been £9,987,000.



## APPENDIX 1

### Accounts direction given by the Treasury in accordance with Section 7 of the Government Resources and Accounts Act 2000

1. The Forestry Commission shall prepare accounts for Forest Enterprise of its activities in England for the financial year ended 31 March 2002 and subsequent years, comprising:
  - (a) a foreword;
  - (b) an income and expenditure account;
  - (c) a statement of total recognised gains and losses;
  - (d) a balance sheet;
  - (e) a cash flow statement;
  - (f) a statement of Accounting Officer's responsibilities; and
  - (g) a statement on internal control;including such notes as may be necessary for the purposes referred to in the following paragraphs.
2. The accounts shall give a true and fair view of the income and expenditure, and cash flows for the financial year, and the state of affairs as at the end of the financial year.
3. Subject to this requirement, the accounts shall be prepared in accordance with:
  - (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
  - (b) the disclosure and accounting requirements contained in "The Fees and Charges Guide" (in particular those relating to the need for segmental information for services or forms of service provided) and in any other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view;
  - (c) the accounting and disclosure requirements of "Government Accounting", as amended or augmented from time to time,insofar as these are appropriate to Forest Enterprise and are in force for the financial year for which the accounts are to be prepared.
4. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.



5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
  - (a) the forest estate at its existing use value;
  - (b) land and buildings at their existing use value where a market exists, otherwise at depreciated replacement cost;
  - (c) machinery, plant and equipment at current replacement cost;
  - (d) commercial recreation assets at their existing use value; and
  - (e) stocks of seed at the lower of cost or net realisable value, stocks of plants and livestock at net realisable value and stocks of consumable materials at current replacement cost.
6. This direction shall be reproduced as an appendix to the accounts and supersedes that dated 21 March 2002.

**David Loweth**  
**Head of the Central Accountancy Team**  
**HM Treasury**  
21 May 2002



## 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 for Forest Enterprise.
4. When preparing its balance sheet, Forest Enterprise shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act. The balance sheet totals shall be struck at "Total assets less liabilities".

5. Forest Enterprise is not required to provide the historical cost information described in paragraph 33(3) of Schedule 4 to the Companies Act.
6. The foreword and balance sheet shall be signed by the Accounting Officer and dated.

#### Accounting standards

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



## 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 7 of the Government Resources and Accounts Act 2000;
  - (b) include a brief history of Forest Enterprise and its statutory background.

#### Income and Expenditure Account

2. The income and expenditure account shall show, inter alia:
  - (a) under "operating income":
    - ☛ sales of timber
    - ☛ other forest sales
    - ☛ other activities
  - (b) under "operating expenditure (by activity)":
    - ☛ harvesting and haulage of timber
    - ☛ restocking after felling
    - ☛ forest roads
    - ☛ forest maintenance and protection
    - ☛ other activities
  - (c) the resulting operating surplus/deficit shall be shown as a separate heading

(d) under "recreation, conservation and heritage":

☛ income

☛ 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.





# Boundaries and Contacts





## FORESTRY COMMISSION NATIONAL & CONSERVANCY BOUNDARIES





## FOREST ENTERPRISE BOUNDARIES





## ADDRESSES OF THE MAIN OFFICES OF THE FORESTRY COMMISSION

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