

# **FORESTRY COMMISSION GREAT BRITAIN/ENGLAND**

## **ANNUAL REPORT 2008-09**

Incorporating:

Forestry Commission Great Britain/England Accounts

and

Forest Enterprise England Agency Accounts

---

---

# **FORESTRY COMMISSION GREAT BRITAIN/ENGLAND**

## **ANNUAL REPORT 2008-09**

Incorporating:

Forestry Commission Great Britain/England Accounts

and

Forest Enterprise England Agency Accounts

**(For the year ended 31 March 2009)**

*Ordered by the House of Commons to be printed  
16 July 2009*

---

**© Crown Copyright 2008**

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.

For any other use of this material please write to Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU or e-mail: [licensing@opsi.gov.uk](mailto:licensing@opsi.gov.uk)

ISBN: 9780102959499

**CONTENTS**

	Page
<b>Foreword</b> by the Chairman	4
<b>Introduction</b> by the Director General	5
<b>Introduction</b> by the Director England	7
<b>Annual Report</b>	8
Great Britain	8
Corporate governance	16
Forestry Commission England	22
Management commentary	23
<b>Forestry Commission Great Britain / England Accounts</b>	32
Financial commentary	33
Remuneration report	38
Statement of accounting officer's responsibilities	44
Statement on internal control	45
Certificate and report of Comptroller and Auditor General	50
Financial statements	52
<b>Forest Enterprise England Agency Accounts</b>	89
Financial commentary	90
Remuneration report	93
Statement of accounting officer's responsibilities	98
Statement on internal control	99
Certificate and report of Comptroller and Auditor General	103
Financial statements	105

**FOREWORD by the Rt Hon Lord Clark of Windermere, Chairman**

I am very pleased to present the Forestry Commission GB and England's Annual Report and Accounts for 2008/2009.

As I reflect on the past year I am reminded once again just how much our trees and forests contribute so much to many of the big issues we face – climate change, economic security, sustainable development, and so much more.

During the past year I have had the good fortune to see first hand more of what our staff, in partnership with others, are achieving on the ground, in relation to these challenges.

For example, in North Wales last June, myself and the Board of Forestry Commissioners looked at examples of the use of timber in sustainable construction, and looked at some of the challenges we faced during our own construction projects, in common with those facing the wider industry.

Then in September, we looked at the excellent work being carried out by our research staff in Farnham, in relation to forestry and climate change. In particular we were most impressed with the quality of the work, and the enthusiasm of the staff.

These are just two of the many examples of the work we do that contributes to our overall strategic aims, and throughout this Report, you will see other examples of the progress we have made over the last year, both at Great Britain and England levels. Our greatest strength is in making things happen on the ground and I am proud of the efforts of our staff for what they have achieved in the past year.

## INTRODUCTION by Tim Rollinson, Director General

Britain's trees and forests play an important role in combating climate change. If we are to make the most of this vital resource, we need to understand the ways in which it can contribute, and have standards in place to underpin that contribution. The decisions we take on how to manage our trees and forests must be based on sound science and understanding the evidence.

During the past year we commissioned an independent assessment of the ways our trees and forests can help us tackle climate change. The national assessment is being prepared by a panel of leading scientists, chaired by Professor Sir David Read, lately Vice-President of the Royal Society. The assessment will review and synthesise our existing knowledge and provide a baseline and scenarios for climate change mitigation and adaptation actions. It will be completed in 2009.

The assessment will also identify gaps and weaknesses in our research capability to determine research priorities for the next five years. We have worked over the past year to create a new Centre for Forestry and Climate Change within our research agency, Forest Research, which has been restructured following the appointment in June 2008 of our new Chief Executive, Dr James Pendlebury. The new Centre will be launched in April 2009 and will act as an authoritative and accessible source of knowledge and analysis.

Our forest estate holds considerable potential for developing renewable energy. Our Renewable Energy Unit acts as a centre of expertise and advice. During the year we commissioned a survey to quantify the potential for wind and hydro and assessed options for development. This work has demonstrated that our forest estate can make a considerable contribution to meeting renewable energy targets.

In February 2009, we launched a Seeds for Schools campaign with the News of the World to encourage schoolchildren to plant a million trees across the UK. We will be supplying more than ten million seeds in project packs to every school. We are also working with teachers to help pupils understand how trees impact on so many aspects of daily life.

Employing over 3,000 people across Britain, we are committed to equality of opportunity in all our areas of work. During the year, we published a new Race Equality Scheme and Action Plan and Equality Impact Assessment Guidance, and began a major new training programme on equality and diversity for all our staff. We want to encourage people from a wide range of groups currently under represented in our workforce to apply to work for us. During the year we also continued our efforts to ensure that the services and facilities we provide to people who visit our forests are as diverse and accessible as possible.

On the international stage, we have continued to work with partners in the Global Partnership on Forest Landscape Restoration. As one of the founding partners the Forestry Commission has a great opportunity to work with others to help restore forest cover in those parts of the world where forests have been lost or degraded. Working with IUCN (the World Conservation Union) and the World Resources Institute, the Partnership commissioned the preparation of a map of the world to identify where degraded forest land is located and the scale of the opportunity for restoration. In October, I visited the Miyun region with Hilary Benn, our Secretary of State, to

see at first hand a large-scale forest restoration project to restore the biodiversity and productivity of the forests in the major watershed that provides water to the city of Beijing.

This Report provides many examples of our work across Great Britain. Our great strength as an organisation is our staff. Their great strength is their ability to make things happen on the ground and deliver a huge range of services to the public.

**INTRODUCTION by Paul Hill-Tout, Director England**

Introducing this Annual Report I would like to highlight a few particular achievements during the year.

We published the Delivery Plan for England's Trees, Woods and Forests Strategy. The Delivery Plan developed with Natural England will focus our future programmes as we work in particular to sustain and build connections with key stakeholders.

Our agency, Forest Enterprise, managing the public forest estate have become the first major public body to achieve the government's target for bringing 95 per cent of Sites of Special Scientific Interest (SSSIs) into favourable or recovering condition.

Progress continued in our work to bring woodlands closer to where people live and improve the quality of environments in our major cities with major new schemes restoring brownfield land in east London and the north-west.

The "credit crunch" has been particularly challenging for the timber industry given its exposure to the property market. I was therefore very pleased that we have been able to maintain programmes, exploit new woodfuel markets and sustain many contractors who are key to keeping our woodlands in a good condition for all to enjoy.



## GREAT BRITAIN

### Climate change

Forestry can make a significant contribution to Government objectives for tackling climate change. We have made progress against our action plan as agreed last year.

We have commissioned an independent assessment of the contribution of forestry in the UK to tackling climate change. The assessment will:

- review and synthesise existing knowledge on the contribution of forestry;
- provide a baseline of the current potential of different mitigation and adaptation actions in the UK;
- identify gaps and weaknesses in the evidence base; and
- recommend research and analysis priorities to enable a fuller assessment of UK forestry and climate change over the next five years.

The assessment will be officially published in autumn 2009.

A new Centre for Forestry and Climate Change is being established within our Forest Research Agency. This will drive forward our knowledge, analysis and action on forestry and climate change.

This year we have been developing a protocol to establish standards for carbon offsetting schemes in the forestry sector. The aim is to provide confidence in woodland schemes. We are being advised by a Carbon Advisory Group of expert stakeholders including experts from the offsetting industry, woodland managers and Non-Governmental organisations.

### Setting the sustainability standards for forestry in the UK

During 2008-09, we concluded drafting a revised UK Forestry Standard and associated Guidelines. Consultation on the revised standard will be done in 2009-10. The United Kingdom Forestry Standard (UKFS) sets out the government's approach to sustainable forest management. As the foundation for sustainable forestry in the UK, the UKFS sets standards, provides a basis for regulation and monitoring, including national and international reporting, and indicates sources of guidance. An important addition this year was the development of a new draft Guideline "Forests and Climate Change". For the first time, this sets out what forest managers can do to mitigate the effects of climate change and ensure forests are well adapted to the predicted changes. Together with the national forestry strategies in the four constituent countries of the UK, the UKFS is the key element of the National Forest Programme. This links the delivery of international obligations on sustainable forest management with national and local policies on implementation.

The work we are doing on sustainability standards links to the wider Government and EU initiatives aimed at ensuring that wood comes from well managed forests. We have been working with Defra and other departments on a proposed EC regulation that will minimise the use of illegal timber across the EU by requiring those who place timber on the EU market to exercise "due diligence" in sourcing timber and timber products. This will apply to timber that is domestically produced in addition to imported timber, and we have been working to ensure that

this operates within our existing regulatory mechanisms and, whilst achieving the aims, does not impose extra regulatory burdens. For wood used by the Government itself, new procurement policies are being introduced to ensure this can be described as sustainable. In renewing the UKFS & Guidelines we are working to ensure that proportionate assurances can be provided through our regulatory approach.

### **Social sustainability**

As the UK's largest single provider of outdoor recreation we believe that we have a special contribution to make to the Government's objectives for health and wellbeing, given that our forests receive millions of visitors per year. We therefore continue to undertake research into social inclusion and environmental equity, wellbeing, governance and cultural heritage. In Scotland, we continue to support the Scottish Government's Environment and Health strategy promoting the potential for forests to contribute to health.

Particular progress has been made in encouraging the use of forests by children and we have developed a new research programme to encourage diversity and equality in the use of forests by the public.

During the year an external consultant's report on art in the public identified the Commission as a nationally important player in the provision of outdoor art.

### **Promoting the sustainability of forests globally**

As part of the UK's Sustainable Development Dialogue with China, we organised two workshops in collaboration with the Chinese State Forestry Administration, one in the UK on forest certification and one in China on forest landscape restoration. In October, as part of his visit to China, Hilary Benn, the Secretary of State for the Environment, Food and Rural Affairs, visited the Myun region to see a large forest landscape restoration project. This project demonstrates the benefits to the environment and local communities of forest restoration in the major watershed of a reservoir that serves Beijing.

Throughout 2008, we have been participating in a project run by the World Wildlife Fund's international forest team on "New Generation Plantations". Two members of staff took part in two study tours in Brazil and China contributing case studies and technical expertise to the development of technical papers on Ecosystem Integrity, High Conservation Value Forests and Stakeholder Engagement.

We are contributing to a review of the Ministerial Conference for the Protection of Forests in Europe and in particular the consideration of the benefits and obstacles to a pan-European legally binding agreement on forests.

Preparations for the 18<sup>th</sup> Commonwealth Forestry Conference in Edinburgh in 2010 are progressing well and International Policy staff, working with partners both within the Commission and further afield, have now identified the central theme of the Conference "Restoring the Commonwealth's forests and tackling climate change". We have appointed a professional conference organiser, established a website and have now started to explore opportunities for partners to sponsor elements of the Conference.

### Improving the scientific evidence base

During 2008-09, we commissioned a wide body of research in support of our Science and Innovation Strategy. The main source of this advice is the Commission's Forest Research Agency, which presents a separate, detailed report on its activities to Parliament. The outputs from the research inform policy and increase our knowledge and understanding in the following topics:

- monitoring and biosecurity;
- ecosystems and biodiversity;
- climate change;
- sustainable forest management;
- forest products and resources; and
- social, economic development and urban greening.

During the year, we also undertook further work to ensure that our research procurement mechanisms are inclusive and transparent. This process will be continued in future years taking opportunities to amalgamate projects, where appropriate, to provide a comprehensive research programme for the forestry sector. This approach has been successfully undertaken in the area of climate change and has drawn complimentary work streams together.

### Providing authoritative information on Britain's forests

We reviewed the strategy for the National Forest Inventory (NFI) programme. The NFI will generate and maintain a definitive picture of the extent and nature of British forests and how they might change in the future. Programme deliverables include generating forecasts of timber, biomass and forest carbon stocks under different policy and management scenarios. The NFI has been designed to ensure that individual country or private sector priorities can be accommodated and funded through "top ups" – this element of the programme is expected to grow significantly over the next two years.

### Ensuring the continued health of our trees and forests

Working with Defra, we continued our programme of containment and eradication of *Phytophthora ramorum* and *P. kernoviae*, sometimes referred to as "Sudden Oak Death", through the clearance of *Rhododendron ponticum* from 1,050 hectares of woodland, primarily in south west England and Wales. Since *P. ramorum* was first detected in Great Britain in 2002, a total of 86 trees, mainly beech, have been diagnosed with the diseases, all in England and Wales.

We are also continuing our research into ways of dealing with a number of diseases including Red Band Needle Blight (*Dothistroma septosporum*) now a major cause for concern affecting pine.

Following the detection of Oak Processionary Moth (*Thaumetopoea processioneae*) in London in 2006, we continued our eradication programme working with the affected London Boroughs of Brent, Ealing, Hounslow and Richmond and officials from other key partners. A total of 506 nests were found compared with around 700 in 2007 and the numbers of adult moths trapped suggest that the overall population level is low. We intend to continue with the programme,

which includes intensive surveys, insecticidal treatment of larvae and nest removal and destruction, again in the coming year.

### **Supporting the development of renewable sources of energy**

The Commission's managed estate holds considerable potential in terms of Renewable Energy. Accordingly, we have established a Renewable Energy Business Unit (REBU), based in Stirling within the Forestry Business Units in order to form a centre of expertise to assist Forestry Commission Scotland, Wales and England in maximising benefits from such potential. This unit is focused on wind and hydro power and currently is working on the following four main projects:

- hydro power development;
- commercial negotiations;
- remaining renewable energy potential quantification (wind and hydro);and
- future renewable energy development options.

### **Operational support**

Targets for the development, maintenance and support of corporate forest management information systems, data and guidance have been met. The range and quality of shared products and services supporting delivery of country forestry strategies has continued to increase with a clear focus on securing best value from the resources available.

The National Forest Inventory (NFI) programme has been successfully established with strong cross-sectoral support. The NFI will generate and maintain a definitive picture of the extent and nature of British forests and how they might change in the future. Programme deliverables include generating forecasts of timber, biomass and forest carbon stocks under different policy and management scenarios. The NFI has been designed to ensure that individual country or private sector priorities outwith core requirements can be accommodated and funded through "top ups" – this element of the programme is expected to grow significantly over the next two years.

### **Better regulation**

The Commission is playing a full part in the Government's Better Regulation initiative by taking forward the forestry-related elements of the exercise.

The measures set out in our first two Simplification Plans are now in place. In total these have saved our stakeholders some £391,000 each year, 27 per cent of the total administrative burden. In addition, we have saved those stakeholders, such as timber merchants and haulage contractors, who, although not affected by regulatory control, face administrative costs when dealing with us, some £1.3 million each year.

Our third Simplification Plan, "Making Regulation Work For Everyone" published in October 2008 set out additional measures that will potentially save timber hauliers and contractors an additional £50,000 each year through further developments in e-business using readily available technology. There will be additional unquantifiable benefits.

## **Raising awareness**

Following the success of our “A Convenient Truth?” climate change DVD, we were asked by the United Nations Food and Agriculture Organisation (UN/FAO) to produce a global version for them. Working closely with the UN/FAO, we produced a version more adaptable for use in other countries and in seven languages: English; French; Italian; Russian; Chinese; Spanish and Arabic. The DVD was distributed in all of the UN regions and has been used at some major forestry and climate change international events.

We embarked on an exciting and ambitious partnership project with the News of the World and the Royal Mail to communicate forests’ role in mitigating climate change and to help get more than a million trees planted across the UK. The campaign started in March 2009 and will encourage schoolchildren, late primary and early secondary years, to grow tree seeds to a stage where they can be planted. We will supply more than ten million seeds: Scots pine; alder and silver birch and 30,000 DVDs will be distributed in project packs to every school in the UK. There will be an accompanying promotion in the News of the World and in a specially created “Seeds for Schools” website.

## **Improving how we work – an efficient, effective and sustainable organisation**

### **Business sustainability**

We have made progress in a number of areas during 2008-09. The former Greenerways programme has now been rebranded as “Business Sustainability” and a number of staff have been identified in the three countries; Business Units and Forest Research to support the rollout of the various initiatives to improve environmental management. The programme is still in a developmental phase, with effective data capture and management the key task, to facilitate Government reporting and achievement of internally set targets.

We are working to develop three new monitoring systems for energy use, waste and travel, so we can both report on overall performance in reducing emissions and support managers in the delivery of targets. The volume of data to be collected is significant with a large number of sources, and ensuring that data within the systems is accurate is taking longer than expected. We are making good progress with the development of an Environmental Management System (EMS). We have put in place most of the component parts of the EMS, and will be looking to finalise this in 2009-10, with a view to seeking external accreditation to ISO14001:2004.

### **People**

Work has continued on implementation of our People Strategy and Action Plan. We have completed the reviews of our Postfilling/Recruitment and Discipline & Grievance policies and procedures begun last year. We have implemented a number of modernisation reforms of our pay system identified by the review of our Pay & Reward Strategy, and have completed a review of our employee benefits package. A new Whistleblowing policy has been introduced.

### *Equality and Diversity*

The Forestry Commissioners and the Executive Board have continued to allocate a high priority to the Commission’s Equality and Diversity agenda throughout 2008-09. This issue was regularly discussed at their meetings during the year, and more resources were committed.

This included forming a discrete Diversity Team within Human Resources, responsible for promoting diversity throughout the organisation, ensuring legal compliance, creating and implementing necessary systems and processes to support the organisation.

During the year, we published:

- our Equality and Diversity Strategy, detailing our high level aims for embedding equality and diversity in the Commission, how we intend to achieve this and who is responsible for doing so;
- a new Race Equality Scheme and accompanying Action Plan; and
- Equality Impact Assessment (EqIA) Guidance, delivered training on it and created the necessary infrastructure to embed EqIA across our organisation.

Training is a vital element of equality and diversity and we have commenced an exercise to review all the training we deliver to ensure that equality and diversity issues are recognised both in the training content and delivery. We are also in the process of delivering equality and diversity awareness training to all our staff.

It is clear that there is much work to do within our organisation, so that the Commission's staff represents the diversity of the wider community. Our Monitoring Reports reveal that the representation of people from black, minority and ethnic (BME) backgrounds and of people with disabilities amongst our staff remains very low. Only 16 of our staff are of BME origin, representing 0.48 per cent of all our employees. People with disabilities represent only two per cent of our workforce. Analysis has demonstrated that applications for those jobs advertised are low from each of these groups, BME representing only two per cent and disabled people representing only one per cent of all applicants.

It will be very difficult to change our staff profile to reflect the communities we serve without attracting more applicants from those groups that are presently under-represented. We have commenced work to attempt to increase the number of applicants, ranging from new advertising approaches to commissioning research to understand the reasons why people from BME and disabled groups do not apply to work for us.

Meanwhile, the Commission continues to develop innovative projects and initiatives to ensure that the services we provide to people who visit our forests are as diverse as possible. Over 120 of our forests have walks designed for people who have a physical disability. We have created downhill mountain bike trails, in seven locations throughout the estate, for those who are disabled, working closely with disabled mountain bike users and the Fieldfare Trust. Many of our paths have sensory interpretation features for those with sight impairment. We encourage community engagement and have had success in bringing many people into our forests who might not otherwise have visited. These include those with mental illness, schoolchildren, older people and ethnic minority groups. Our outreach programmes are set to expand over the coming year and all our recreation work in the forests will be completed with equality and diversity firmly in mind. Our recreation and education staff are receiving training specifically designed to help them to facilitate the enjoyment of the forests for those people from groups representing the six strands of diversity. The facilities and opportunities we have to offer will continue to expand, offering the health and recreation benefits available from forests to an increasingly diverse range of visitors.

### *Learning and development*

The Learning and Development group continued to be heavily involved in the implementation of the People Strategy. On the development side this included:

- deliver diversity training to senior managers, staff involved in policy making and piloting general awareness training to the whole staff group;
- deliver new interview and post filling training incorporating the competency framework and changes to HR practice;
- introduce the management development programme in England, Wales, Forest Research, Business units & Shared Services at tactical (middle) manager level;
- introduce the front line management development programme to Scotland; and
- put in place framework agreements for external provision of training.

Demand for technical training continued to be high and we recruited an extra trainer to help meet that demand. Some of the specific projects the team has worked on included:

- design and deliver site and species choice training;
- deliver a new suite of Tariffing training;
- design new supervisor courses for chainsaw and steep ground working;
- deliver Managing Construction training;
- timber transport training for a number of Scottish Police Forces including Lothian & Borders and Dumfries & Galloway; and
- put in place a framework agreement to deliver external technical training to support our "in house" team.

### *Health and Safety*

#### Policy

It is the Commission's policy 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 introduced systems to improve the way we manage our construction work including roads, trails and buildings. Next year we will work on a project to improve the management of chainsaw use in the Commission.

#### Accidents

The following figures set out the incidence of reportable accidents (those causing incapacity for more than three days) for all staff in 2008-09 and the preceding years.

Year	No of accidents per 100 employees
2008-09	0.57
2007-08	1.06
2006-07	0.63
2005-06	0.93
2004-05	0.94

### Sickness Absence

The average working days lost due to sickness absence for all staff across England and Great Britain in 2008-09 was 6.33 days.

### **Honours**

The following Forestry Commission nominees were successful in The Queen's Honours List:

Richard Trevor Broadhurst OBE. Lately FC Scotland, Silvan House. For public and voluntary service;

Boyd Jamieson Glen MBE. Lately Financial & Accounting Services, Silvan House. For services to the Lanthorn Community Complex, Livingston, West Lothian;

Mr Robert Norman (Bob) Jones MBE. Lately Head of Design and Interpretative Services, Forestry Commission Scotland. For services to forest and heritage interpretation;

Mrs Susan Ann (Sue) Evans MBE. Head of Development, Central Scotland Forest Trust. For services to Forestry; and

Andrew Smith MBE. Purchasing Director, BSW Timber plc. For services to the Scottish Forestry Industry.

### **Awards**

Elaine Dick, the Commission's publications' manager, earned an Inside Write Award from the Plain English Campaign for producing a straight-talking booklet on tackling Lyme disease.

Kielder Observatory, in Kielder Water & Forest Park, has been awarded a prestigious Civic Trust Award. The Trust, which is celebrating its 50<sup>th</sup> anniversary this year, recognises outstanding architecture and commitment to planning, designing and creating buildings which meet the needs of real people. The structure of the building resembles a pier jutting out over the landscape at the top of Black Fell.

The Forestry Commission won national recognition for the outstanding quality of its educational work with youngsters in Sherwood Pines Forest Park by being awarded one of the first "Learning Outside the Classroom" Quality Badges, which recognises it as a top provider of quality, safely managed educational experiences. The 1,200 hectare wood, near Edwinstowe, is the first location anywhere in Nottinghamshire to achieve the benchmark.

Dalby Forest's brilliant new bike trails received a prestigious accolade after being named project of the year in the 2008 Yorkshire Post Business Awards.



## CORPORATE GOVERNANCE

### Status

The Forestry Commission is the Government department responsible for advising Forestry Ministers within the Westminster Parliament, Scottish Parliament and National Assembly for Wales on forestry policy and for implementing the three separate forestry policy strategies across England, Scotland and Wales. It has a Chairman and Board of Commissioners. 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.

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

The Forestry Commissioners are statutorily responsible for the stewardship of the estate placed at their disposal by Ministers. The Forestry Commissioners have delegated to the statutory National Committee in each country, the normal exercise of their powers and duties in connection with the estate.

### Forestry Commission Great Britain

In the Great Britain role, the Forestry Commission provides advice and support to the UK Government and to the devolved administrations in Scotland and Wales. We set the standards for sustainable forest management and encourage good forestry practice. We conduct forestry research, provide information and we have statutory duties for some regulations that, by agreement with Ministers, are GB-wide. Working with other departments, it formulates UK policy in international negotiations, develops the UK's national forest programme and advises on implementation of international and European obligations.

Our values – how we behave in fulfilling our objectives

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

**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.

### Ministers

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

Rt Hon Hilary Benn MP, Secretary of State for Environment, Food and Rural Affairs

Joan Ruddock MP, Parliamentary Under-Secretary (Commons) Department for Environment, Food and Rural Affairs (Until 5 October 2008)

Huw Irranca-Davies MP, Parliamentary Under-Secretary (Commons) Department for Environment, Food and Rural Affairs (From 6 October 2008)

## Forestry Commissioners and Permanent Head of the Department

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

### Chairman

Rt. Hon Lord Clark of Windermere

### Forestry Commissioners

Tim Rollinson	Director General and Deputy Chairman
Bob McIntosh	Director, Forestry Commission Scotland
Trefor Owen	Director, Forestry Commission Wales
Paul Hill-Tout	Director, Forestry Commission England
Jon Owen Jones	Commissioner Wales
Judith Webb	Commissioner Wales
Martin Gale CBE	Commissioner Scotland
Dr Calum MacDonald	Commissioner Scotland
Dr Olutayo Adebawale	Commissioner England
Sir Harry Studholme	Commissioner England

The Board of Forestry Commissioners met in June, September and December 2008, and March 2009. They discussed a wide range of GB and international forestry issues, including:

- climate change;
- forest research;
- health and safety;
- corporate governance;
- Forest Holidays;
- renewable energy;
- forest health; and
- equality and diversity.

At each meeting, the Board also discussed the Director General's report, and country reports from the Forestry Commission's Directors in England, Scotland and Wales. Papers for these meetings and further information on the Board of Commissioners are available on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk).

### The Executive Board

The Executive Board is responsible for:

- developing and delivering plans to reflect the long-term objectives and priorities established by the Board of Forestry Commissioners;
- overseeing the day-to-day management and direction of the Forestry Commission;
- monitoring performance to ensure that the Forestry Commission is properly and effectively managed; and

- ensuring effective communication.

The members of the Executive Board who served during the year were:

Tim Rollinson	Director General
Dr Bob McIntosh	Director Scotland
Trefor Owen	Director Wales
Paul Hill-Tout	Director England
Dr Peter Freer-Smith	Acting Chief Executive, Forest Research Agency (Until 15 June 2008)
Dr James Pendlebury	Chief Executive, Forest Research Agency (From 16 June 2008)
Michael Ansell	Director Forestry Business Units
Jean Lindsay	Director Human Resources
Keith Gliddon	Director Finance
Wilma Harper	Secretary to the Commissioners and Head of Corporate and Forestry Support

The Executive Board met in May, June, August, October and December 2008 and February 2009. As well as engaging with the Shared Service Boards, the Executive Board addressed a wide range of issues during the year including:

- options for renewable energy projects on the Commission's estate;
- a potential affiliation and marketing scheme;
- current and potential tree health issues;
- investments in shared services;
- brand management;
- red squirrel conservation;
- restructuring the Forest Research Agency;
- the review of the inventory and forecasting functions;
- the future role of the Commission's Information Services division;
- pay and reward strategy for the Commission's staff;
- succession planning;
- analysing and improving the diversity of the Commission's workforce;
- Investors In People reassessment;
- funding, budgets and financial performance; and
- business risk and continuity.

Further information on the Executive Board is available on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk).

### 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. Members of the Committee were:

Rt Hon Lord Clark of Windermere	Chair and Forestry Commission Chairman
Sir Harry Studholme	Commissioner England
Dr Olutayo Adebawale	Commissioner England

Keith Oates	Non-executive member
William Weston	Non-executive member
David Coleman	Non-executive member (Defra) (until July 2009)
Robin Mortimer	Non-executive member (Defra) (from October 2009)
Paul Hill-Tout	Director Forestry Commission England and Commissioner
Simon Hodgson	Chief Executive, Forest Enterprise England
Charlotte Cane	Finance Director, Forestry Commission England
Simon Pryor	Acting Head of Programme Group, Forestry Commission England (until 8 February 2009)
Laura Jones	Head of Policy and Programmes (from 9 February 2009)

The Committee met in May, July, October and December 2008 and in January and March 2009. During the year they discussed a wide range of issues including:

- finance;
- asset sales and reinvestment;
- draghunting on the public forest estate;
- England's Trees Woods and Forests Delivery Plan;
- Public Forest Estate Study;
- Forest Holidays; and
- renewable energy.

At each meeting the Committee also discussed the Director's report. Papers for these meetings and further information on the National Committee are available on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk)

### England Executive Board

The England Executive Board was established to manage the operations of the business of Forestry Commission England within the policy framework set by Ministers and the National Committee for England. Members who served on the Board were:

Paul Hill-Tout	Chair, Director, Forestry Commission England and Commissioner
Simon Hodgson	Chief Executive, Forest Enterprise England
Richard Britton	Head of Forestry Authority and Regions
Simon Pryor	Acting Head of Programme Group, Forestry Commission England (until 8 February 2009)
Laura Jones	Head of Policy and Programmes (from 9 February 2009)
Mark Pritchard	Head of Communications and Secretariat, Forestry Commission England
Charlotte Cane	Finance Director, Forestry Commission England
Sarah England	Human Resources Business Partner, Forestry Commission England

The England Executive Board met on eleven occasions during the year and addressed a wide range of issues including:

- finance;
- performance targets;
- health and safety;
- risk management;
- business continuity;

- diversity;
- management development;
- England's Trees Woods and Forests Delivery Plan;
- open habitats;
- woodfuel;
- heritage;
- carbon budgets;
- Public Forest Estate Study; and
- National Office arrangements.

### Register of interests

A register of interests of all Board Members is maintained by the Forestry Commission and published on the Commission's website: [www.forestry.gov.uk](http://www.forestry.gov.uk)

### England Audit and Risk Committee

In England, the National Committee and Accounting Officers are supported by a sub committee known as the Audit and Risk Committee (ARC). Its purpose is to help them in their responsibilities for the effective management of risk control and governance across the organisation in England. Through its work the ARC provides independent assurance to the National Committee on those key activities which support the achievement of country objectives. Assurance is also provided on the GB element of the Forestry Commission's work through the review of the annual accounts and the findings from work carried out by Internal and External Audit. The ARC operates in accordance with the principles contained in the Treasury's Audit Committee Handbook. The members of the ARC for England are:

Sir Harry Studholme	Chair and non-executive Commissioner for England
Olutayo Adebawale	non-executive Commissioner for England
Keith Oates	non-executive member England National Committee

Further information on the responsibilities and work of the Audit Committee during the year is provided in the Statement on Internal Control (SIC).

### Corporate Governance

The SIC provides a summary of the way in which Forestry Commission Great Britain/England manages its Governance and Internal Control. Forestry Commission Great Britain/England has applied the principles of the Treasury's Code of Good Practice for Corporate Governance in the context of its own circumstances.

### Principal risks, uncertainties and opportunities

Forestry Commission Great Britain/England has identified the following principal areas of risk, uncertainty and opportunity in achieving its aims and objectives:

**Economic** – this relates to those financial events which would affect management of the public and private forest estate and its impact on the wider economy. This includes opportunities or possible adverse effects relating from timber markets and exchange rates.

**Reputational** – this relates to exposure to events which might undermine the level of confidence, held by organisations and the general public, in Government Ministers and the Forestry Commission Great

Britain/England and the consequences on effective delivery and relationships that might result from a loss of confidence.

**Environmental** – this relates to the exposure of the forest estate to climatic and ecological events. This includes implications for the targets of maintaining and enhancing the biodiversity, cultural value and landscape character of our estate, making a positive contribution to the environment, effective protection of the environment and prudent use of natural resources.

**Social** – this relates to the implications for the targets of contributing to the quality of life for a wide range of people by creating opportunities to enjoy trees, woods and forests and helping communities to benefit from woods and forests whilst recognising the needs of everyone.

The key risks looking forward into 2009-10 are detailed in the Statement on Internal Control.

### **Risk management policy**

The Risk Management Policy of Forestry Commission Great Britain/England is to be fully committed to effective risk management, adopting best practice in the identification, evaluation and control of risks, in order to:

- integrate risk management into the culture of Forestry Commission Great Britain/England;
- eliminate or reduce risks to an acceptable level;
- anticipate and respond to changing social, environmental and legislative requirements;
- prevent injury and damage and reduce the cost of risk;
- raise awareness of the need for risk management and;
- ensure that Business Continuity Plans are prepared for each Region and each of the services needed to deliver the FC's business (Finance, IT, HR, Grants and Regulations and Communications).

By adopting its Risk Management Policy, Forestry Commission Great Britain/England recognises risk management as a key function in helping to ensure it achieves its aims and objectives.

## FORESTRY COMMISSION ENGLAND

### Strategy

In June 2007 the Government published a new forestry strategy, "*A Strategy for England's Trees, Woods and Forests*". This is the first full year for the implementation of that Strategy with the Commission's role being to lead its delivery. This work is being guided by the delivery plan: "*Delivery Plan 2008-2012 England's Trees, Woods and Forests*" which was published in December 2008 by the Forestry Commission and Natural England. We aim to deliver practical positive change for people.

### Aims and Objectives

The aims and objectives of Forestry Commission England set out in the Corporate Plan 2008-2011 flow from the Strategy for England's Trees, Woodlands and Forests (ETWF) and from the wider objectives of Ministers. Our shared Aims with ETWF are to:

- provide a resource of trees, woods and forests in places where they can contribute most in terms of environmental, economic and social benefits **[Protect and Enhance the Resource]**;
- ensure that existing and newly-planted trees, woods and forests are resilient to the impacts of climate change, play a role in adapting rural and urban environments to climate change and contribute to its mitigation **[Climate Change]**;
- protect and enhance the environmental resources of water, soil, air, biodiversity and landscapes **[Land and Natural Environment]**;
- increase the contribution that trees, woods and forests make to the quality of life. **[Quality of Life – Communities and Places]**;
- improve the competitiveness of woodland businesses and promote the development of new or improved markets for sustainable woodland products **[Working Woodlands]**; and in addition
- be an effective, efficient, respected, high-profile and sustainable delivery body where equality and diversity is embraced, embedded and mainstreamed in all that we do as a service provider and practice as an employer. **[Modernising Our Delivery and Managing Our Resources]**.

The annual spending plans for the Forestry Commission's activities in England and those functions that it carries out on a GB-wide basis are published as part of the Defra Main Estimates.

The 2008 Defra Departmental Report published in May 2008 included the Forestry Commission as one of its Delivery Partners. The Report also included a forward look setting out the key aims for Forestry Commission GB and Forestry Commission England in 2008-09. More details of the Commissions plans were published in the GB Corporate Plan 2008-11 and the England Corporate Plan 2008-11. Both these plans are available on the Forestry Commission website [www.forestry.gov.uk](http://www.forestry.gov.uk).

## MANAGEMENT COMMENTARY

### Events

In June, Lord Clark opened the new Community Resource Centre at the Forestry Commission's Grizedale Forest Park. Called "The Yan", named after the Cumbrian dialect word for "one", the building will provide new facilities for schools, community groups and local organisations. The centre is part of a wider redevelopment programme known as the Grizedale Project, aimed at promoting sustainability by improving the quality of the visitor experience and supporting the local economy in the South Lakes. The project has received support from Cumbria Vision, the European Union through the European Regional Development Fund North West Action Plan Partnership, the Lake District National Park Authority Sustainable Development Fund and the Defra Rural Enterprise Scheme. The building timbers include UK-grown Douglas Fir which are used to achieve a clear span giving uninterrupted valley views. It also gets almost all of the energy it uses from renewable sources.

In July an Open Day at Ingrebourne Hill, to mark the completion of the site, attracted 2,000 people. This new community greenspace for the London Borough of Havering also had an official opening by England Forestry Commissioner, Tayo Adebawale, in September when a commemorative tree was planted. The 74 hectare former landfill site in the Ingrebourne River Valley in South Hornchurch is managed by the Forestry Commission and is part of Thames Chase Community Forest. It has been transformed with funding from the Department for Communities and Local Government with the provision of paths, cycle routes, a mountain bike track, a horse-riding trail, ponds, picnic spots, children's play areas and a viewing point.

In April, Lord Clark launched Whinlatter Forest Park as a flagship Red Squirrel Reserve. The Forestry Commission, in partnership with Save Our Squirrels, has created facilities which offers visitors an opportunity to see, enjoy and learn about red squirrels in the wild. Whinlatter is one of 17 reserves across England, three of which are flagship reserves. The Forestry Commission continues to take steps to improve the red squirrel habitat with a mixed age structure and range of conifer species. Grey squirrel control is also undertaken to help protect the red squirrel population.

Whinlatter is also home to the longest purpose-built mountain bike trail in the Lake District. The Altura Trail, named after the sponsor, was opened by Lord Clark in December and is a 19 kilometre red grade mountain bike route, including 15 kilometres of new single-track. The North West Regional Development Agency also helped to fund the construction of the trail and the associated redevelopment of the car park at the Visitor Centre.

Refurbished facilities at the Beechenhurst Visitor Centre in the Forest of Dean, were unveiled in October. The new facilities include an environmentally friendly café, shop and information centre. Solar panels have also been installed to power the new kitchen. The development was supported by Gloucester Rural Renaissance and the Forest of Dean District Council.

In December, Paul Hill-Tout addressed delegates at a conference in London on the important role woodlands can play in delivering environmental and social benefits to those who live and work in the city. More than 100 industry professionals were in attendance at City Hall to mark the completion of Capital Woodlands. The Forestry Commission's Spatial Framework for Trees and Woodlands was also launched at the conference - an important new step in partnership working as well as a means to target funding to where it matters most in London.

In April last year, the Forestry Commission's regional web pages in England went online for the first time, providing users with a wealth of information on trees, woods and forests in their local area. The websites also contain key information on the English Woodland Grant Scheme, felling licences, the region's forest strategy and educational resources. Updated locally, the new regional websites will not only help to



increase awareness of local issues including conservation and the environment, but also provide a practical resource for woodland management.

## **STRATEGY FOR ENGLAND'S TREES, WOODS AND FORESTS**

### **PROTECTING & ENHANCING THE RESOURCE**

#### **Grants and Regulation**

The Rural Development Programme for England (RDPE) is England's mechanism for delivering European agricultural and rural development funding allocated to England, combined with related Exchequer funding for agri-environment, forestry and rural socio-economic support. The RDPE has a total budget of £3.9 billion for 2007-13, of which £231 million is in the indicative planned expenditure for forestry.

All RDPE grant schemes were transferred to Defra's accounts from 1 April 2008. Forestry Commission England continues to administer and pay these grants on behalf of Defra. The cost of the grants, and the associated income from the EU, show in Defra's accounts rather than in the Forestry Commission's accounts.

The English Woodland Grant Scheme (EWGS) is the Forestry Commission's mechanism for delivering grant aid in England. As part of the process for settling 2008-09 budgets with Defra, the Forestry Commission agreed to defer £1.75m of Exchequer expenditure on EWGS planned for 2008-09 to later years of the programme. We communicated how we planned to handle applications for 2008-09 funding via our EWGS 2008-09 Budget Management Announcement in February 2008.

The total area of woodland creation paid in 2008-09 was 1,772 hectares; this is below the seven-year RDPE target of an average of 2,200 hectares per year. However, a regulatory change introduced as part of the Common Agricultural Policy 'Health Check' in February 2009 means that from 2009 landowners will be able to continue claiming their Single Payment Scheme entitlements after planting trees on eligible land. This will make woodland planting a considerably more attractive financial proposition in future. In addition to woodland creation under EWGS Forestry Commission staff assisted Natural England in delivering 210ha of woodland planting and 129ha of wood pasture under Environmental Stewardship, the RDPE agri-environment scheme. Total woodland regeneration was 1,273 hectares. Regeneration payments under EWGS were well aligned with the 'Keepers of Time Policy' with over 50% of the area relating to activity on ancient woodland sites or the conversion of conifers to native species.

The controls on tree felling resulted in the Forestry Commission issuing 2,169 felling licences that were not linked to EWGS. We received 176 reports of illegal felling and investigated 34 in more detail. There were 6 restocking notices issued under powers granted under the Regulatory Reform Order (RRO). This allows us to issue a restocking notice without first securing a prosecution. There are 2 cases under investigation with a view to prosecution and 12 cases which are in progress for notices to be issued under the RRO. We issued 6 formal warnings and agreed no further action was required in 2 other cases. There are 11 cases still pending.

### **CLIMATE CHANGE**

In November, the Forestry Commission and the Confederation of Forest Industries (ConFor), with the support of the Regional Climate Change Partnership, held a conference to discuss the possible impact trees could have on mitigating the effects of climate change in the north east of England, focusing on economic benefits presented by the drive for a low-carbon economy and the possibility of exploring other forms of biomass as renewable fuels.

### Woodfuel

The East of England Development Agency (EEDA) has awarded £4.3 million to increase the use of wood-based energy production. The £10.7 million Woodfuel East project will help cut carbon emissions by providing locally produced and sustainably sourced fuel. It will also help create jobs and businesses in the rural economy and improve biodiversity.

In Yorkshire and The Humber, the Forestry Commission and Yorkshire Forward have appointed a regional co-ordinator for woodfuel. The role will seek to exploit the region's 92,000 hectares of woods, over half of which are under managed.

### **Land and Natural Environment**

In June, the Forestry Commission published a draft practice guide for managing England's ancient and native woodlands. The guide is aimed at experienced practitioners and outlines the types of management which will ensure the protection and enhancement of ancient and native woodlands and the many benefits they provide.

Train operating company, First TransPennine Express (FTPE) has joined forces with the Forestry Commission and pledged more than £100,000 in a five-year project to help improve the biodiversity of woodlands close to train stations and routes in order to build links with local communities. Lord Clark joined FTPE for the official launch in April at Grange-over-Sands in Cumbria.

A partnership between the Forestry Commission, Yorkshire Dales Millennium Trust and Yorkshire Dales National Park has delivered over 160 hectares of new native woodland over the last two years in locations where these add value to landscape and deliver against the region's habitat action plan targets. The new woodlands are also helping to address water quality and flooding issues with planting in upland ghylls.

A partnership project involving the Forestry Commission and the Suffolk Wildlife Trust to deliver part of the Suffolk Biodiversity Action Plan, which includes a 30-year vision to create 260 hectares of grazed woodland pasture in Dunwich Forest, has seen targeted conifer clearance and the establishment of infrastructure for grazing. This has led to the introduction of twenty Dartmoor ponies on land owned by the Commission and managed by Suffolk Wildlife Trust.

The Forestry Commission and the Herpetological Conservation Trust (HCT) joined forces at the New Forest Reptile Centre to breed natterjack toads, a species that has undergone a serious decline over the last century. This project follows on from a number of conservation schemes by the Forestry Commission and the HCT to reintroduce a host of native reptiles to their natural environments.

A conservation scheme for the ladybird spider, one of Britain's rarest arachnids that had almost been wiped out through habitat loss, has been so successful over the years that foresters are looking for completely new habitats into which spiders can be relocated.

### Birds of Prey

The Forestry Commission has supported a range of initiatives to enhance bird of prey numbers. The tawny owl project, which has been running in Kershope and the surrounding area since 1980 has recorded the oldest breeding female (age 21) ever found in the United Kingdom.

In the North Tyne valley the RSPB, Forestry Commission and 30 keen volunteers mounted a 24-hour security operation to safeguard a nest of five rare hen harrier chicks.

A natural stony ledge in Kielder Water and Forest Park, which crumbled away due to erosion, was risking losing a highly successful peregrine falcon nesting site. This was replaced by Forestry

Commission rangers who abseiled down to excavate a new nesting site on the side of the shear rock face.

Goshawks in the New Forest had their best breeding season ever with ten pairs managing to fledge over 20 young.

## **QUALITY OF LIFE – COMMUNITIES AND PLACES**

### Education

The education service at Sherwood Pines Forest Park received one of the first “Learning Outside the Classroom” (LOtC) Quality Badges, closely followed by Westonbirt Arboretum. The Quality Badge is awarded to providers who have pledged to engage in an ongoing process to sustain high-quality learning outside the classroom and who have demonstrated that they meet six quality indicators.

“Leafing the Classroom” was launched as part of the Strategy for Forestry Commission Estate Education and Learning Services 2008-12. Through this new initiative, each Forest District is able to tailor its own education and learning strategy.

In September, the Institute of Outdoor Learning created a Special Interest Group for Forest School, which will provide a focus for Forest School practitioners and trainers. West Midlands and East of England continue to offer Regional woodland improvement grants to support the successful expansion and development of Forest School.

### Newlands

Newlands, a land regeneration programme developed by the Forestry Commission and the Northwest Regional Development Agency, has continued to be one of the Regions most high impact and far reaching regeneration programmes.

This year the Newlands partnership committed over £14 million to regenerate another four brownfield sites. The programme funded the purchase of Brockholes, a 106 hectare former quarry site, in 2006. Funding of over £8 million will transform the natural landscape into a high quality nature reserve and create a regionally significant visitor attraction for Preston and the wider region. The Mab Lane project in Liverpool received £440,000 this year to help Liverpool develop the “world’s most colourful community woodland” as a lasting legacy of the city’s Capital of Culture status. The LIVIA project in Salford and the Town Lane project in Southport had regeneration investments of £3.8 million and £1.78 million respectively confirmed.

The eight sites currently being developed within the Newlands programme total over 485 hectares, and £27.47 million of regeneration investment.

Physical delivery has continued to be a priority of the programme. The commitment to community engagement sees local people as integral to the delivery of projects from the site design and planning phases. Events, youth activities, local job market connections and school projects help to retain local engagement.

This year has also seen Newlands develop projects that sit outside its original land regeneration remit, but which add considerable value to the programme’s core activity and enable Newlands to react to changing agenda and priorities. In September, Newlands and partners launched the second “Green Spot” installation; a mini forest of containerised trees with educational “fact boards” and audio, which took up residence in Liverpool’s Bluecoat arts centre (a key location for Capital of Culture festivities), before moving to spend the autumn and winter at the city’s Alder Hey Children’s Hospital.

This year also saw the launch of "Setting the Scene for Growth" (STSFG), a programme of targeted urban greening close to existing Newlands sites which helps to extend the project's benefits and reach out into surrounding communities, encouraging people to use and explore their new community woodlands.

Throughout the summer Newlands undertook a set of social benchmarking studies with the local communities to evaluate opinions about the project's impact on community cohesion, local democracy, the local economy and health and safety. Results were varied and they will create an essential baseline to monitor the impact of investments against in the medium and long term.

### Neroche

The scarp of the Blackdown Hills, on the border between Devon and Somerset, shelters a wealth of wildlife, interwoven with many layers of human history. It is a working landscape, a rich source of natural and cultural heritage yet in a time of economic and climatic uncertainty, its special qualities remain under threat.

Since 2006 an alliance of agencies, authorities and local people, led by the Forestry Commission, has been investing in the conservation of the rich natural and cultural fabric of this area, encouraging more people to be involved in the landscape and ensuring everyone can learn about and enjoy their heritage. The scheme has earned widespread praise for its work to maximise the value of a public forest for people and wildlife.

The Neroche Scheme comprises over 20 projects, including harvesting 300 hectares of conifer plantation to restore pasture, heath and broadleaved woodland habitats. 80 English Longhorn cattle have been introduced to graze new forest habitats and to establish a new value-added beef production business. Over 13 miles of new off-road multi-user circular trail, 1,000 metres of new all-ability trail and a viewpoint suitable for wheelchair users, on Staple Hill have been provided. Support has included 400 volunteer days with local people carrying out actions ranging from the surveying of archaeological remains to pulling Himalayan balsam. 20 different local history projects have been initiated by local people, from documentary research to site conservation work. Eight local artists have been involved in interpreting the landscape through natural sculpture, multi-media techniques, story, music and photography. 25 staff from 17 primary and secondary schools in Somerset and Devon completed or are undergoing training for the OCN qualification as Forest School Practitioners and seven schools have been provided with local woodland sites for Forest School activity. Three local young people successfully completed NVQ Level 2 qualifications through a bespoke apprenticeship scheme.

### Lincolnshire Limewoods Project

Chambers Farm Wood Centre, part of the Lincolnshire Limewoods Project funded by the Heritage Lottery Fund, was opened in October. The development includes education and meeting room facilities, a volunteer room, toilets and site information point. Around 1,000 visitors were able to enjoy the new facilities at this year's Working Woodlands event.

### Mountain Biking

The Forestry Commission has engaged in a number of initiatives to help improve mountain biking facilities throughout its woodlands and forests in England, including a major investment in Kielder Water and Forest Park to build one of the most extensive networks of purpose-built single-track trails in the United Kingdom alongside a new bike hire centre. The Forestry Commission, Hamsterley Trailblazers, Groundwork and Teesside District Council have unveiled plans to build a new extension to the popular "red" grade mountain bike trail.

## WORKING WOODLANDS

A scheme by Sparsholt College, the National Trust and the Forestry Commission to encourage new entrants into the industry has seen six young people progress on the Hampshire forestry apprenticeship scheme. The project, funded by the European Community New Forest LEADER+ Programme, was set up in 2004. The students' two-year courses were designed to give them NVQ II qualifications and practical experience working alongside experienced forestry and conservation staff. Following graduation the students were given six months guaranteed support as self-employed forestry contractors.

Transport issues around North Yorkshire's timber industry are at the centre of a joint initiative by North Yorkshire County Council, the Forestry Commission and industry representatives. At a seminar at Dalby Forest Visitor Centre delegates discussed a number of "best practice" solutions for reducing the impact of timber transport on local communities whilst supporting the development and success of the timber industry in the county.

Supported by the Forestry Commission in May last year, the Small Woods Association ran its first annual "Beanpole Week" in celebration of native coppiced woodland. The event aims to draw attention to, and reverse the decline in demand for, products made from coppiced wood. The area of coppice is estimated to have fallen by around 90 per cent during the last century to 23,000 hectares. Supporting coppice working helps to keep ancient skills and traditions alive and provide opportunities for rural employment.

Venison from the New Forest now carries the Forest Stewardship Council (FSC) mark of approval along with the "New Forest Marque", a quality and local provenance assurance. Venison is the first non-timber product in the country to carry the FSC mark, which guarantees it came from sustainable woodlands managed in an environmentally responsible way.

## PERFORMANCE AGAINST SPENDING REVIEW 2007 TARGET FOR 2008 – 2011

Aim	Target 2008 - 11	Interim Progress to 31 March 2009
<b>Delivering the Strategy for England's Trees, Woodlands and Forests</b>		
Aim 1 Protect & Enhance the Resource	Target: Maintain the <b>area of certified woodland at or above 341,000 ha</b> - as an indicator of wider sustainable forest management.	On target. The area of certified woodland has increased by about 6,000ha.
Aim 2 Climate Change	Target: Increase the number of boilers that use <b>wood for heat generation</b> (with a total installed capacity of 10 MWth) -- as an indicator of the uptake of woodfuel as a renewable source of energy.	Baseline established – data on progress due from the Renewable Energy Association by December 2009.
Aim 3 Land & Natural Environment	Target 1: A net increase of 9,000 ha (provisional) in the <b>area of native woodland and other semi-natural habitats</b> restored from forest (for which a target will be set during 2008–09) through: <ul style="list-style-type: none"> <li>• <b>minimising</b> losses of native woodland;</li> <li>• <b>restoring</b> PAWS to native woodland;</li> <li>• <b>converting</b> other plantations to native species;</li> <li>• <b>creating</b> new woodland of native species; and</li> <li>• <b>restoring open habitats</b> through reduction or removal of plantations, woodland or scrub.</li> </ul>	On target. The area of native woodland has increased by a total of 3,280ha. This is made up of 880ha on the Public Forest Estate and 2,400ha of private woodland. A target for semi-natural habitat restored from forest, woodlands and scrub will be set once policy is published during 2009/10.
	Target 2: Increase the area of all Sites of Special Scientific Interest (SSSIs) where FC has statutory responsibilities which are in favourable or recovering condition to 95% by December 2010 (see note 1).	On target. There has been an increase to 92% of relevant SSSIs in favourable or recovering condition. Good progress in the past year, particularly in relation to woodland SSSIs on the Public Forest Estate (99% in target condition).
	Target 3: Reverse the long-term decline in the number of <b>woodland birds by 2015</b> as measured annually against underlying trends using the Woodland Birds Index – as a proxy for wider biodiversity.	Baseline established – data on progress due from Defra by autumn 2009.
Aim 4 Quality of Life – Communities & Places	Target 1: Increase the percentage of the population in priority areas with <b>access to woodland</b> according to access standards from 62% to 66% (relating to an additional 750,000 people having access)– as an indicator of woodlands' contribution to <b>Quality of Place</b> .	On target. Increased to 63.5% (relating to an additional 278,000 people having access).
	Target 2: Develop a methodology, set a target, then measure an increase in: <ul style="list-style-type: none"> <li>* visits to and <b>engagement with local woodland</b>;</li> <li>* quality of experience; and</li> <li>* personal and social benefit</li> </ul> for a series of selected sites, as an indicator of woodlands' contribution to <b>Quality of Life</b> .	On target. A methodology has been developed to measure engagement with local woodland. This has been implemented at three selected sites. On track to set a target and measure progress by March 2011.

Aim	Target 2008 - 11	Interim Progress to 31 March 2009
Aim 5 Working Woodlands	Target: Develop and implement a regular <b>business confidence survey</b> from which will be set future targets for improvement – to improve the quality and quantity of sector information.	Reviewing the most appropriate measure for this aim.
<b>Improving How We Work</b>		
Customer Service	Target 1: Provide excellent service to the customers of our <b>Grants and Regulations</b> to be measured by achieving 85% of <b>transactions within standard times</b> .	Some slippage. 78% due to absorption of Farm Woodland schemes.
	Target 2: Achieve a recommendation standard of at least 75% at <b>all</b> of the visitor centres surveyed – demonstrating our <b>customers readily recommend our sites to their friends</b> – as an indicator of excellent customer service.	Missed target in year. Of the three sites surveyed two scored well at 93% and 90%. A third site, despite reasonable customer support, fell below the minimum required with 55%. Three further surveys will be carried out during 2009.
Developing Our People	Target 1: Deliver <b>Diversity training</b> to all staff – as an indicator of our objective to embed diversity across the organisation.	Missed target in year. 7% of relevant staff have received training so far. Trainers and programme of events are now in place and progress will accelerate back in line with target
	Target 2: Continue our good record by maintaining <b>working days absence per staff year</b> at or below 6.2 – in recognition of the strong connection between sickness absence, promoting the health and well-being of staff and delivering an engaged and motivated workforce.	On target. 6.0 days for the 2008/09 year.
Delivering Sustainability	Target: Attain <b>Environmental Management System</b> accreditation ISO14001 – or similar (subject to business requirements) – as an indicator of our movement towards <b>greater corporate sustainability</b> .	On target. Completion of an internal Environmental Management System (EMS) manual expected by July 2009. After this the remaining components of an EMS will be developed. External accreditation to ISO 14001 expected by end 2010/11.
Delivering Value for Money	Target 1: Develop a system, measure and a target, then increase the proportion of <b>grants and regulation transactions carried out on-line</b> – as an indicator of efficiency.	Some slippage. All England Woodland Grant Scheme, Woodland Grant Scheme, and Farm Woodlands payments are now made via BACS. Further system development is planned.
	Target 2: <b>Manage the public forest estate within an agreed net cost per hectare</b> - as an indicator of efficiency. The target for 2008-09 is £77.61 per hectare and will be re-set for subsequent financial years.	Missed in year target. £83.80 Operating Deficit increased due to one off items such as IT refreshment and significant write off of plant stock; asset write offs, increased commodity prices for fuel and energy, increased business rates and project timing issues.

Note 1: These include all SSSIs on the public forest estate and woodland SSSIs on other land

## FOREST ENTERPRISE SUMMARY OF KEY PERFORMANCE MEASURES 2008-09

Target Area	Measure	Target for 2008-09	Achieved
Sustainable Forest Management	Percentage of forest estate certified as sustainably managed.	100%	100%
Social	Percentage of the population in priority areas with access to woodland according to access standards – as an indicator of woodlands contribution to Quality of Place.	N/A	Contributes to the overall FCE figure reported separately
	Engagement with local woodland for a series of selected sites, as an indicator of woodlands contribution to Quality of Life.	N/A	Contributes to the overall FCE figure reported separately
Economic	Volume of wood harvested in relation to the production programme.	100%	96.3%
	Number of visitors to regional forest centres.	N/A	Work is ongoing to establish a cost-effective methodology and baseline data.
Environmental	Percentage of SSSIs in favourable or recovering condition.	92%	95%
	Area of native woodland and other semi-natural habitats.	596ha	Net increase of 880ha
Efficiency	Net cost of management for the public forest estate.	£77.61/ha	£83.80/ha
	Customer satisfaction when using recreation facilities.	75%	Of the three sites surveyed two scored well at 93% and 90%. However despite strong local customer support a third site fell below the target at 55%. A further three sites will be surveyed during 2009.
	Number of reportable accidents for employees.	1.8 per 100 employees	0.43 per 100 employees



**FORESTRY COMMISSION  
GREAT BRITAIN/ENGLAND**

**ANNUAL ACCOUNTS 2008-09**

## FINANCIAL COMMENTARY

### *Basis of accounts*

The Forestry Commission Great Britain/England Accounts are prepared in accordance with a direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

### *Departmental accounting boundary*

With effect from 1 April 2008, Parliament has approved Defra's revised resource Estimate structure which now incorporates the Forestry Commission's estimate as a separate Request for Resource (RfR) defined as:

*RfR2 – Direction of the delivery of the Government's Strategy for Trees, Woods and Forests in England and taking the lead in development and promotion of sustainable forest management across Great Britain.*

Sub-head A of RfR2 includes the operation of the Forestry Commission's estate in England by its agency, Forest Enterprise England. The Agency is a public corporation for national accounting purposes and accordingly is outside the departmental boundary for the Forestry Commission Great Britain/England accounts. Its net funding is, therefore, reflected wholly in the programme costs for England-wide activities.

Sub-head B includes the operation of the Forest Research Agency which is designated a Great Britain entity and is therefore consolidated in these accounts. The principal place of business of Forest Research is Alice Holt Lodge, Farnham, Surrey.

### *Financial Review*

Resources to fund our activities in England and our GB functions come from Defra, from Regional Development Agencies, from the European Union, from Local Authorities, from some Non-Governmental organisations and from income from the public forest estate managed by Forest Enterprise England.

Funding for the Forestry Commission was decided as part of the Government's 2007 Comprehensive Spending Review. The planned sources of income and expenditure up to 2011-12 are shown in the latest Corporate Plans for England and for Great Britain activities.

Resources in England are used to increase the contribution that trees, woods and forests make to the quality of life; protect and enhance the natural environment, including mitigation of and adapting to climate change; and improve the competitiveness of woodland businesses and promote the development of new or improved markets for sustainable woodland products in accordance with the 'Strategy for England's Trees, Woods and Forests'.

Timber sales represent the largest single source of income for Forest Enterprise and its financial strength is closely linked to the strength of the UK timber market. In summer/autumn 2008 demand levels and prices for sawn timber products began to decline as construction activity dropped rapidly and manufacturing industry slowed.

From December 2008 demand for timber supplies from the FC Estate increased, largely as a result of the weakness of £sterling against the Euro; the end of a period of de-stocking throughout the supply chain; and the lack of supply from private woodland owners in the UK. We anticipate that our 2009/10 timber income will be closer to the income level achieved in 2006/07. Every attempt is also made to maximise income from timber and the wider Estate's assets.

In addition to the expenditure shown in our accounts, the Forestry Commission manages grant schemes on behalf of Defra. These schemes total a further £20.6m (2007-08 £18.6m) of public funds that are administered by Forestry Commission staff.

The Operating Cost Statement includes exceptional items of expenditure made in 2008-09 to provide for restructuring costs at Forest Research and Forestry Commission England. The provision covers anticipated early retirement costs, onerous leases and legal fees.

#### *Significant variances against estimate*

The comparison of actual resource expenditure to Estimate is shown below:

	<b>Estimate</b> £'000	<b>Outturn</b> £'000	<b>Difference</b> £'000
England-wide activities	65,001	63,755	1,246
GB-wide activities	19,728	17,057	2,671
Total resource GB/England	84,729	80,812	3,917
Net cash requirement	60,666	54,829	5,837

For the England activities the net resource underspend of £1.2m is 2% less than estimate. The main reasons are:

- Cost of capital was under estimate by £1.0m, because the value of the Estate was less than anticipated;
- Take up on regeneration grants was slower than we had anticipated. It appears that uncertainty in the timber markets and the economy generally was holding back felling and thus regeneration claims. There was also some shortfall in other grants and partnership projects; and
- Forest Enterprise restructured some of its activities to save costs and maximise income. As a result, some assets were no longer required by the business and these assets had to be written off. The write-offs contributed to a net additional charge to England of £0.7m.

For the GB-wide activities the net underspend of £2.7m is 13.5% less than estimate. The main reasons for this are:

- The estimate included £1.8m revenue provision to cover the development of e-business systems aimed at improving efficiency and effectiveness of delivery of services to customers. In the event, some £2.2m of expenditure incurred on systems development was capitalised in accordance with standard accounting practice;
- A £1.3m provision, allocated as part of the Spring Supplementary Estimate process, was set aside for potential changes in the accounting treatment for financial instruments under International Accounting Standards (IAS). The provision was not needed;
- GB-wide activities include any annual surplus or deficit from the Forest Research Agency (FRA). Income received late in the financial year from external customers reduced their operating deficit before exceptional items to £0.2m compared to a forecast of £0.5m; and

- The reductions in expenditure were offset by the inclusion of a £1.2m provision to cover early severance costs at the Forest Research Agency that is undergoing a restructuring programme.

The cash underspend of £5.8m is 9.6% less than estimate. The main reasons for this are:

- The cash estimate included the £1.3m IAS related provision mentioned above;
- Cash income received late in the financial year from FRA's external customers produced a cash surplus of £0.9m compared to a forecast of £0.1m;
- The timing of cash payment and receipts led to a reduction in net cash expenditure of £0.5m related to VAT; and
- The balance is due to various timing differences in payments and receipts.

### Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	<b>2008-09</b>	<b>2007-08</b>
	<u>£000</u>	<u>Restated £000</u>
<b>Net Resource Outturn (Estimates)</b>	84,729	90,369
<i>Other adjustments</i>	(239)	(11,552)
<b>Net Operating Cost (Accounts)</b>	84,490	78,817
<i>Adjustments to additionally include:-</i>		
Other Consolidated Fund extra receipts	701	-
Other adjustments	-	3,467
<b>Resource Budget Outturn (Budget)</b>	84,729	93,022
<b>of which</b>		
Departmental Expenditure Limits (DEL)	84,729	93,022

### Market stability

Autumn 2008 saw major de-stocking throughout the supply chain and reductions in the level of imports and forward buying. Imports are critical to the overall market as they form more than 70% of UK timber supplies. UK sawmillers put a range of measures in place to cope with the decline in demand - staff reductions, reduced working hours, closure of lines. There have been very few business failures in the home-grown sector to date but more among importers.

The general belief in the market is that, although business remains very tough and the overall market for timber products is well below the levels of recent years, there are signs that the downturn may have bottomed out. Most home grown timber processors are finding sufficient work although prices are not good, but as higher priced contracts have been worked through the price of their raw material is now better aligned with sale prices. The construction sector continues to fare particularly badly.

## Other Disclosures

### Machinery of Government Change

As part of machinery of government changes, from 1 April 2008, the Forestry Commission ceased to hold delegated authority for the Rural Development Programme for England (RDPE) grant scheme. Authority for the RDPE grant scheme now rests with the Department for Environment, Food and Rural Affairs.

In order to provide meaningful comparatives, the 2007-08 Operating Cost Statement, Statement of Recognised Gains and Losses, Balance Sheet, Cash Flow Statement and supporting notes have been restated to remove the impact of RDPE grant transactions.

An analysis of the restatement is given in Note 33.

### Supplier Payment Policy

Forestry Commission Great Britain/England complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2008-09 indicates that 98.8% of invoices paid by Forestry Commission Great Britain, 97.9% of invoices paid by Forestry Commission England and 100% of invoices paid by Forest Research were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

In October 2008, the Prime Minister committed Government organisations to improving the cash flow position of its suppliers by settling their accounts within 10 days wherever possible. The Forestry Commission recognises its role in supporting local, rural economies and has a proven record of meeting its contractual payment terms. It also works closely with its local suppliers to ensure prompt payment of debt. Management recognised that the general economic climate could potentially have a detrimental effect on small and medium enterprises and considered whether further action could be taken to improve cash flows.

The Forestry Commission concluded that no special systems solutions would be required as local offices have a very close working relationship with their suppliers. For the most part, local suppliers have ongoing dialogues with their Forestry Commission contract managers about business issues including cash flows. Through these, small/medium suppliers already had processes in place that enabled prompt payments. It was generally believed that suppliers who faced hardship would discuss the matter with contract managers and agreed solutions developed. While the above would not apply directly to larger companies, the Forestry Commission believed that special measures would not be required because of existing levels of prompt payment.

### Pensions

Information on pensions is contained in the Remuneration Report and accounting policy note 1.5.

**Personal data related incidents**

There were no protected personal data related incidents reported for the Forestry Commission in 2008–09 or previous financial years. The Forestry Commission will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvement of its systems. Further information on the handling of information risk is contained in the Statement on Internal Control.

**Auditors**

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

**Disclosure of audit information to the auditors**

So far as the Accounting Officer is aware, there is no relevant audit information of which the Forestry Commission Great Britain/England auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Forestry Commission Great Britain/England auditors are aware of that information.

*T J D Rollinson*  
Additional Accounting Officer  
8 July 2009

## REMUNERATION REPORT

### REMUNERATION POLICY

Fees for non-executive Commissioners and National Committee members who are not Forestry Commission employees 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 the remaining senior staff posts.

In reaching its decisions on an individual's salary and bonus, the Senior Pay Committee has regard to the following considerations:

- Guidelines circulated by the Cabinet Office implementing Government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the Government on the shape of the system, including the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further information on the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com).
- Reporting Officers' recommendations on the relative performance of each of their senior staff, whether a bonus should be paid and if so whether low or high. The Senior Pay Committee consider the recommendations, determine the allocation of senior staff to tranches, and decide the percentage increase to salary and any bonus to be awarded.

Remaining Committee and Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining with the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Monitoring System (PMS) of the Forestry Commission. Their increase in salary and performance bonus, if awarded, are based on their manager's assessment of their performance.

### EMPLOYMENT CONTRACTS

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Unless otherwise stated below, the senior staff covered in this report hold appointments which are open-ended until they reach the normal retiring age, with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Non-executives are generally appointed for a fixed term of three years with a maximum notice period of one month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation.

Details of letters of appointment for the non-executives and senior staff who do not have open-ended appointments who served during the year are:

	<b>Date of current contract/letter</b>	<b>Unexpired term (months*)</b>
Rt Hon Lord Clark of Windermere	10/12/2007	2.5
Martin Gale	1/4/2006	-
Dr Calum MacDonald	1/4/2006	-
Dr Olutayo Adebawale**	1/4/2006	-
Jon Owen Jones	18/1/2007	9.5
Judith Webb	18/1/2007	9.5
Sir Harry Studholme	18/1/2007	9.5
David Coleman (until 7 October 2008)	24/5/2005	n/a
Robin Mortimer (from 7 October 2008)	7/10/2008	n/a
Keith Oates	14/5/2007	13.5
William Weston	1/1/2008	21

\*months remaining from 31 March 2009

\*\*Dr Olutayo Adebawale has accepted the invitation for a further term of appointment for 36 months.

David Coleman and Robin Mortimer, members of the National Committee for England during 2008-09, are employed by Defra and do not receive any additional remuneration from Forestry Commission England.

#### **SALARY AND PENSION ENTITLEMENTS (INFORMATION SUBJECT TO AUDIT)**

The salary and pension entitlements of the civil servants who are members of the Great Britain Executive Board, the National Committee for England and the England Executive Board were as follows:



	2008-09		2007-08	
	Salary £000	Benefits in kind To the nearest £100	Salary £000	Benefits in kind To the nearest £100
Tim Rollinson	140-145	-	130-135	-
Paul Hill-Tout	90-95	-	85-90	-
Jean Lindsay	65-70	-	15-20 <sup>1</sup>	-
Sarah England	55-60	2,000	45-50 <sup>2</sup>	1,800
Simon Pryor	50-55 <sup>3</sup>	-	5-10 <sup>4</sup>	-
Laura Jones	5-10 <sup>5</sup>	1,600	-	-
Keith Gliddon	85-90	-	75-80	-
Wilma Harper	70-75	-	65-70	-
Mark Pritchard	50-55	1,600	50-55	1,000
David Felstead	65-70 <sup>6</sup>	-	-	-
Michael Ansell	70-75	-	-	-
Charlotte Cane	55-60	-	50-55	-
Richard Britton	60-65	2,200	55-60	2,000

The salary and pension entitlements of Bob McIntosh, an Executive Forestry Commissioner, are borne and disclosed in the Forestry Commission Scotland Annual Report and Accounts 2008-09 as he is Director, Forestry Commission Scotland.

The salary and pension entitlements of Trefor Owen, an Executive Forestry Commissioner during the year, are borne and disclosed in the Forestry Commission Wales Annual Report and Accounts 2008-09.

The salary and pension entitlements of Simon Hodgson, a member of the National Committee for England during the year are borne and disclosed in the Forest Enterprise England Annual Report and Accounts 2008-09.

The salary and pension entitlements of the members of the Forest Research Management Board and Forest Enterprise England Management Board are shown in each of the agency's Annual Report and Accounts 2008-09.

## SALARY

'Salary' includes basic salary; performance pay or bonus; overtime and any allowances subject to UK taxation. This report is based on payments made by Forestry Commission Great Britain/England and thus recorded in these accounts.

## BENEFITS IN KIND

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

<sup>1</sup> Figure quoted is for the period 20 November 2007 to 31 March 2008. The full year equivalent is 65-70.

<sup>2</sup> Figure quoted is for the period 1 May 2007 to 31 March 2008. The full year equivalent is 50-55.

<sup>3</sup> Figure quoted is for the period 1 April 2008 to 9 February 2009. The full year equivalent is 55-60.

<sup>4</sup> Figure quoted is for the period 26 February 2008 to 31 March 2008. The full year equivalent is 50-55.

<sup>5</sup> Figure quoted is for the period 9 February 2009 to 31 March 2009. The full year equivalent is 50-55.

<sup>6</sup> Figure quoted is for the period 14 April 2008 to 31 March 2009. The full year equivalent is 65-70.

**PENSION BENEFITS (INFORMATION SUBJECT TO AUDIT)**

	<b>Accrued pension at pension age at 31 March 2009 and related lump sum</b>	<b>Real increase in pension and related lump sum at pension age</b>	<b>CETV at 31 March 2009</b>	<b>CETV at 31 March 2008*</b>	<b>Real increase in CETV</b>	<b>Employer contribution to partnership pension account</b>
	£000	£000	£000	£000	£000	Nearest £100
Tim Rollinson	50-55 plus LS of 150-155	0-2.5 plus LS of 2.5-5	1,060	956	26	-
Paul Hill-Tout	30-35 plus LS of 90-95	0-2.5 plus LS of 0-2.5	574	518	8	-
Jean Lindsay	20-25 plus LS of 60-65	5-7.5 plus LS of 15-17.5	353	240	91	-
Sarah England	15-20 plus LS of 45-50	(0-2.5) plus LS of (0-2.5)	212	195	(2)	-
Simon Pryor	5-10 plus LS of 15-20	0-2.5 plus LS of 2.5-5	90	68	15	-
Laura Jones	10-15 plus LS of 30-35	0-2.5 plus LS of 2.5-5	137	107	20	-
Keith Gliddon	30-35 plus LS of 100-105	0-2.5 plus LS of 0-2.5	778	704	17	-
Wilma Harper	25-30 plus LS of 0-5	2.5-5 plus LS of 0-2.5	489	414	40	-
Mark Pritchard	15-20 plus LS of 55-60	0-2.5 plus LS of 0-2.5	379	343	4	-
David Felstead	0-5 plus LS of 0-5	0-2.5 plus LS of 0-2.5	17	-	15	-
Michael Ansell	0-5 plus LS of 0-5	0-2.5 plus LS of 0-2.5	38	21	14	-
Charlotte Cane	10-15 plus LS of 40-45	0-2.5 plus LS of 2.5-5	259	220	13	-
Richard Britton	20-25 plus LS of 40-45	0-2.5 plus LS of 0-2.5	316	276	14	-

\*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

**CIVIL SERVICE PENSIONS**

Pension benefits are provided through the Civil Service Pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (classic, premium, or classic plus), or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 could opt for either the appropriate defined benefit arrangement or 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, classic plus and nuvos. 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. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as for classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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 from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website <http://beta.civilservice.gov.uk/pensions>

## **CASH EQUIVALENT TRANSFER VALUES**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate with 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

**REAL INCREASE IN CETV**

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

**REMUNERATION OF NON-EXECUTIVES (INFORMATION SUBJECT TO AUDIT)**

The non-executive Forestry Commissioners and members of the National Committee for England received the following remuneration for their services during the year ended 31 March 2009.

	£000
Rt Hon Lord Clark of Windermere	50
Martin Gale	11
Dr Calum MacDonald	14
Sir Harry Studholme	11
Dr Olutayo Adebawale	13
Jon Owen Jones	14
Judith Webb	11
Keith Oates	5
William Weston	5

*T J D Rollinson*  
Additional Accounting Officer  
8 July 2009

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Section 5, subsection 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed Forestry Commission Great Britain/England to prepare accounts for each financial year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs and of the income and expenditure (or, as appropriate, net resource outturn), total recognised gains and losses (or, as appropriate, recognised gains and losses) and cash flows of the department for the financial year.

With effect from 1 April 2008, Parliament has approved Defra's revised resource Estimate structure which now incorporates the Forestry Commission's estimate as a separate Request for Resource (RfR). HM Treasury remains responsible for appointing the permanent head of the Forestry Commission, the Director General, as the Accounting Officer for the Forestry Commission. A Memorandum of Agreement exists between the Accounting Officers for the Forestry Commission and Defra.

Director, Forestry Commission England has been designated an additional Accounting Officer for that part of the department's accounts covering England-wide activities. In turn, he has designated the Chief Executive, Forest Enterprise England as an additional Accounting Officer for that part of the department's accounts relating to the Agency within England-wide activities and the associated assets, liabilities and cash flows. The Director General has designated the Chief Executive, Forest Research Agency as an additional Accounting Officer for that part of the department's accounts relating to the Agency resources within GB-wide activities and the associated assets, liabilities and cash flows. None of these appointments detract from the Director General's overall responsibility as Accounting Officer for the department's accounts. Under the terms of the Accounting Officers' Memorandum, the relationship between the Accounting Officers, together with their respective responsibilities, is set out in writing.

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government *Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The responsibilities of an 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 Forestry Commission Great Britain/England's assets) are set out in *Managing Public Money* published by HM Treasury.

## STATEMENT ON INTERNAL CONTROL

### 1. Scope of responsibility

#### *Forestry Commission*

As Accounting Officer for the Forestry Commission, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Forestry Commission's 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 *Managing Public Money*.

The Forestry Commission is a Great Britain cross-border department responsible for forestry matters which has a Board of Commissioners with duties and powers prescribed by statute. Forestry is a devolved matter. The Secretary of State for Environment, Food and Rural Affairs has responsibility for forestry in England as well as certain activities such as international affairs, plant health and forest research which remain reserved and funded by Westminster.

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

The Forestry Commissioners are statutorily responsible for the stewardship of the estate placed at their disposal by Ministers. The Forestry Commissioners have delegated to the statutory National Committee in each country, the normal exercise of their powers and duties in connection with the estate.

My appointment as Accounting Officer for the Forestry Commission, by the Treasury, is in accordance with Section 5, subsection 6 of the Government Resources and Accounts Act (GRAA) 2000. My appointment under the GRAA carries with it the 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.

#### *Forestry Commission England*

The National Committee in England is chaired by a non-executive Forestry Commissioner and its members include four non-executives, including two further Commissioners, Director Forestry Commission England, Chief Executive Forest Enterprise England and a member from the Department for Environment, Food and Rural Affairs.

Director Forestry Commission England is the executive Forestry Commissioner responsible to the Forestry Minister and to me for the work of the Forestry Commission in England. The exact responsibilities between us are set out in a separate Letter of Understanding. The Chief Executive of the Forest Enterprise England Agency is responsible, normally through Director, Forestry Commission England, to the National Committee for England for the management of the Agency. The Chief Executive has a right of direct access to the Commissioners, and to the relevant Minister, and a right to meet them at least once a year.

#### *Forest Research Agency*

The Chief Executive of the Forest Research Agency, funded from the Westminster vote, is responsible, normally through the Director General, to the Forestry Commissioners for the management of the Agency. The Chief Executive is a member of the Forestry Commission's Executive Board. The Chief

Executive has a right of direct access to the Commissioners, and to the relevant Minister, and a right to meet them at least once a year.

#### *Public Accounts Committee*

As part of their responsibilities, one or more of the Accounting Officers are liable to be invited to appear before the Committee of Public Accounts (PAC). It will be for Ministers to decide who should represent them at other Parliamentary Committee hearings.

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Forestry Commission Great Britain/England's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Forestry Commission Great Britain/England for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### **3. Capacity to handle risk**

The Forestry Commission's risk management policy statement sets out why risk management is important; the procedures in place to enable the Forestry Commission to manage risk; and the roles and responsibilities individuals have to ensure risks are managed effectively. The policy was updated in March 2009 and is available to all staff via the intranet.

Risk is embedded in policymaking, planning and delivery across Forestry Commission Great Britain/England. Each discrete area of the business is responsible for ensuring the proper management of risks within their own area.

### **4. The risk and control framework**

The system of internal control incorporates risk management. It encompassed a number of elements that together facilitate an effective and efficient operation, including regular reporting to the Board of Commissioners, National Committee, Executive Boards and Agency Management Boards.

The National Committee for England has established an Audit and Risk Committee (ARC) as a sub-committee to support them in their responsibilities for the effective management of risk, control and governance. Through its work the ARC provides independent assurance to the National Committee on those key activities within the direct control of England which support the achievement of England's objectives.

Assurance is also provided on the GB element of the Forestry Commission's work through the review of the annual accounts and the findings from work carried out by Internal and External Audit.

The ARC operates in accordance with the principles contained in the Treasury's Audit Committee Handbook. The ARC advises the National Committee and Accounting Officers on:

- the strategic processes for risk, control and governance in FC England and FE England;
- the Statement on Internal Control in FC Great Britain/England and FE England;

- the accounting policies, the accounts and the annual report of FC Great Britain/England and FE England, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter(s) of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including internal audit reports and external audit's management letter;
- assurances relating to the corporate governance requirements for Forestry Commission England and Forest Enterprise England; and
- anti-fraud policies and whistle-blowing processes.

The Committee met three times in July and November 2008 and February 2009. In all cases they considered a range of reports from management, and from internal and external audit. The ARC reviewed its own effectiveness in February 2009, using the NAO's 'Self-Assessment Checklist' and reported the results of that review to the National Committee.

The Forest Research Agency has its own Audit and Risk Committee as detailed in the Statement on Internal Control forming part of the Agency's annual report and accounts which is published separately.

A Forestry Commission wide Risk Management Group (RMG) co-ordinates the continued development of risk management within, and the sharing of best practice across, the Forestry Commission. The RMG met in March 2009 to approve a revised risk policy document, to update members on risk management developments in each part of the Forestry Commission and to review progress on business continuity planning.

Forestry Commission England has further embedded risk register reviews into the business and governance structures of England. Shared services and the Great Britain core area have reviewed their risk registers and plan to consolidate them in 2009-10.

In the year to 31 March 2009, Forestry Commission England has completed all but one of its Business Continuity Plans (BCPs). Plans will be tested during 2009-10. BCPs covering the shared services of Human Resources, Information Services and Finance are still under development. A private sector risk management consultant has helped to develop framework BCPs but more work is required to link them to the BCPs prepared by countries and agencies and to ensure they meet the needs of customers. The additional work is progressing alongside our project to gain certification to the ISO/IEC 27001 standard for Information Security Management Systems.

## **5. Information Assurance and Data Handling**

The Forestry Commission has appointed its Director Finance as the Senior Information Risk Owner (SIRO). The SIRO chairs the Information Security Management Forum (ISMF) which co-ordinates and controls the implementation of information security across the Forestry Commission. It has met on nine occasions during the year. The work of the ISMF is supported on a day to day basis by the Departmental Security Officer (DSO) and the IT Security Officer (ITSO).

In determining our approach, the Forestry Commission has taken the view that, in comparison with other government departments, our information systems hold a relatively small number of records and that the volume of sensitive information requiring a protective marking is relatively low.



The ARCs have received updates on information assurance and data handling during the year in accordance with guidance provided by the Cabinet Office. In addition, the SIRO has produced an annual assessment of risk management across the Forestry Commission. During the year, we have progressed the following requirements:

- distributed the guidance publication, *Managing Information Risk*, to Accounting Officers, Chairs of Audit Committees and Board members to assist them in understanding information risk;
- published an Information Charter setting out the standards that people can expect from us when we request or hold their personal information;
- encrypted all existing laptops that connect to the network;
- produced new guidance on marking protective documents;
- established an information asset register and undertaken detailed risk assessments;
- appointed Information Asset Owners (IAOs) for corporate systems.

Despite the progress made in 2008-09, this is still work in progress and there remains a good deal more to be done. In particular, completion of the ISO/IEC 27001 project will demonstrate that the Forestry Commission has established robust information security policies and related guidance, and educated staff and third parties in information security.

Following development of the National School for Government (NSG) online training package, we are now in a position to make progress on our own training programme. We are currently assessing how to deliver the training requirements set out in the Data Handling Review and the Security Policy Framework using the NSG package as a core tool.

To aid continuous improvement, the Government has introduced the Information Assurance Maturity Model (IAMM). We are undertaking a self-assessment against the Model to include in our annual report to the Cabinet Office. The output from the assessment, in combination with the risk treatments identified from the ISO/IEC 27001 project, will provide a focus for attention in the forthcoming year.

We have a reporting system to capture all security incidents which are investigated in accordance with Cabinet Office and Information Commissioners guidance. There have been no reportable incidents of personal information data loss during the year.

## 6. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, the Additional and Agency Accounting Officers and the executive managers across the Forestry Commission who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the various Boards and Audit Committees. Plans to address weaknesses and ensure continuous improvement of the system are in place. Areas requiring particular attention during 2009-10 are as follows:

- The main risk for Forestry Commission England is the impact of the global economic downturn on Forest Enterprise's ability to generate earned income, notably from timber sales and recreation. Any shortfall in earned income that cannot be compensated by other income would restrict our ability to deliver the 'Strategy for England's Trees, Woods and Forests'.

Throughout the year management monitor outturn against budget and take the necessary actions to adjust costs and/or secure alternative funding if there are significant shortfalls in earned income.

- Forestry Commission England is closing its Cambridge National Office in order to have all National Office staff in one office in Bristol. Management have co-ordinated project plans in place and review progress regularly, in order to ensure business continuity and transfer of expertise from those staff who are not re-locating. All National Office staff should be in the new Bristol Office by May 2010.
- Forestry Commission England is reliant on Shared Services for many of its Human Resources, Information Services and Finance requirements. The governance and funding of these services, and their links to country based back office functions, is under review to ensure that they can meet the needs of their customers through an annual review process.
- The Forestry Commission has found it difficult to meet the timetable for the introduction of International Financial Reporting Standards (IFRS). Despite engaging external accountancy expertise during the year, there were a significant number of matters outstanding at both the Treasury's trigger points for 2008-09. Meeting the trigger points for 2009-10, including the completion of all outstanding matters, is going to be challenging. The work will be planned and monitored closely during 2009-10 to ensure full compliance by the due dates.

The Head of Internal Audit has prepared a suite of annual reports and assurance statements to Forestry Commission Directors and Agency Chief Executives in their capacities as Additional and Agency Accounting Officers. The reports include an overall assessment of the adequacy and effectiveness of risk management, control and governance within each entity. As the 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 Forestry Commission Great Britain/England continues to provide substantial assurance that material risks to the achievement of objectives are adequately managed.

## **7. Significant internal control problems**

There were no significant problems to report.

*T J D Rollinson*  
Additional Accounting Officer  
8 July 2009

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**

I certify that I have audited the financial statements of Forest Commission Great Britain/England at 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Operating Cost Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

**Respective responsibilities of the Accounting Officer and auditor**

The Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information which comprises the Management commentary and Financial Commentary included in the Annual Report, is consistent with the financial statements. I also report 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

In addition, I report to you if the Forestry Commission Great Britain/England has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Forestry Commission Great Britain/England's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Forestry Commission Great Britain/England's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Foreword by the Chairman, Introduction by the Director General, Introduction by the Director of England and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

**Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Forestry Commission Great Britain/England'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

**Opinions**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Forestry Commission Great Britain/England's affairs as at 31 March 2009 and the net operating cost, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- information which comprises the Management Commentary and Financial Commentary included within the Annual Report, is consistent with the financial statements.

**Opinion on Regularity**

In my opinion, 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.

**Report**

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

15 July 2009

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

**OPERATING COST STATEMENT**

for the year ended 31 March 2009

	Note	2008-09					2007-08 Restated		
		Core			Consolidated			Core	Consolidated
		Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income	£000	£000
		£000	£000	£000	£000	£000	£000	£000	
<b>Administration Costs:</b>									
Staff Costs	8	19,155			28,980		18,655	28,240	
Other administration costs	9		17,612			20,856	16,794	19,745	
Operating income	10			(17,045)		(17,045)	(14,924)	(14,924)	
<b>Programme costs:</b>									
<b>England-wide activities:</b>									
Programme costs	11		54,151			54,151	47,804	47,804	
Other income	12			(2,943)		(2,943)	(1,236)	(1,236)	
<b>GB-wide activities:</b>									
Programme costs	11		692			2,758	678	3,365	
EU Receipts	12			-		(450)	-	(65)	
Other income	12			(266)		(4,310)	(426)	(4,112)	
<b>Net Operating Cost before Exceptional Items</b>			<b>71,356</b>			<b>81,997</b>	<b>67,345</b>	<b>78,817</b>	
<b>Exceptional Items:</b>									
Restructuring Costs	20		1,273			2,493	-	-	
<b>Totals</b>		<b>19,155</b>	<b>73,728</b>	<b>(20,254)</b>	<b>28,980</b>	<b>80,258</b>	<b>(24,748)</b>	<b>67,345</b>	<b>78,817</b>
<b>Net Operating Cost</b>			<b>72,629</b>			<b>84,490</b>	<b>67,345</b>	<b>78,817</b>	

All income and expenditure are derived from continuing operations.

**STATEMENT OF RECOGNISED GAINS AND LOSSES**

for the year ended 31 March 2009

	Note	2008-09		2007-08 Restated	
		Core	Consolidated	Core	Consolidated
		£000	£000	£000	£000
Net gain on revaluation of tangible fixed assets	22a	(325)	(1,604)	100	1,306
Movement on the donated asset reserve	22b	5	5	-	-
RDPE adjustment to general fund	33	-	-	234	234
<b>Recognised gains and losses for the financial year</b>		<b>(320)</b>	<b>(1,599)</b>	<b>334</b>	<b>1,540</b>

The notes on pages 55 to 87 form part of these accounts.

**BALANCE SHEET**

as at 31 March 2009

	Note	2008-09		2007-08 Restated	
		Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Fixed assets:</b>					
Tangible assets	14	7,488	19,763	7,222	21,374
Intangible assets	15	963	1,105	1,306	1,465
Debtors falling due after more than one year	17	96	154	58	102
<b>Current assets:</b>					
Stocks	16	160	786	170	1,121
Debtors	17	4,355	5,031	4,548	5,472
Cash at bank and in hand	18	6,084	6,538	4,968	5,243
		<b>10,599</b>	<b>12,355</b>	<b>9,686</b>	<b>11,836</b>
Creditors (amounts falling due within one year)	19	(13,630)	(14,670)	(12,322)	(13,507)
<b>Net current assets (liabilities)</b>		<b>(3,031)</b>	<b>(2,315)</b>	<b>(2,636)</b>	<b>(1,671)</b>
<b>Total assets less current liabilities</b>		<b>5,516</b>	<b>18,707</b>	<b>5,950</b>	<b>21,270</b>
Creditors (amounts falling due after more than one year)	19	(991)	(991)	(658)	(658)
Provisions for liabilities and charges	20	(2,007)	(3,305)	(937)	(1,040)
		<b>2,518</b>	<b>14,411</b>	<b>4,355</b>	<b>19,572</b>
<b>Taxpayers' equity:</b>					
General fund	21	2,127	7,196	3,644	10,730
Revaluation reserve	22a	386	7,210	711	8,842
Donated asset reserve	22b	5	5	-	-
		<b>2,518</b>	<b>14,411</b>	<b>4,355</b>	<b>19,572</b>

*T J D Rollinson*  
Additional Accounting Officer  
8 July 2009

The notes on pages 55 to 87 form part of these accounts

**CONSOLIDATED CASH FLOW STATEMENT**

for the year ended 31 March 2009

		<b>2008-09</b>	<b>2007-08</b>
	Note	£000	Restated £000
Net cash outflow from operating activities	23(a)	(52,155)	(50,635)
Capital expenditure and financial investment	23(b)	(2,679)	(2,936)
Receipts due to the Consolidated Fund which are outside the scope of the Forestry Commission's activities	23(e)	701	-
Payments of amount due to Consolidated Fund	23(e)	(5,243)	(3,110)
Financing	23(d)	60,671	58,814
<b>Increase in cash in the period</b>	23(e)	<b>1,295</b>	<b>2,133</b>

The notes on pages 55 to 87 form part of these accounts.

## NOTES TO THE ACCOUNTS

### NOTE 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2008-09 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of Forestry Commission Great Britain/England for the purpose of giving a true and fair view has been selected. Forestry Commission Great Britain/England's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

#### 1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the department (the core department) and those entities which fall within the departmental boundary as defined in the FReM (chapter 1.5). Transactions between entities included in the consolidation are eliminated.

A list of all those entities within the departmental boundary is given in note 34.

#### 1.3 Administration and programme expenditure

The operating cost statement is analysed between administration and programme costs. Core administration costs reflect the costs of running Forestry Commission Great Britain/England, together with associated operating income. Core programme costs include payments of grants and the net cost of Forest Enterprise England.

#### 1.4 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, including amounts due to be surrendered to the Westminster Consolidated Fund.

#### 1.5 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. Forestry Commission Great Britain/England recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, Forestry Commission Great Britain/England recognises the contributions payable for the year.



## 1.6 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, Forestry Commission Great Britain/England discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

## 1.7 Tangible fixed assets

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

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

Until 31 March 2008, tangible fixed assets were revalued annually as at 31 March. With the agreement of HM Treasury future valuations shall be carried out on 1 April. Valuations shall use prospective indices that look ahead to the next balance sheet date and shall also be adjusted to reflect the differences between the actual changes in prices in the prior year and the earlier prediction.

### Land and buildings

Professionally qualified staff employed by the Forestry Commission undertake a full revaluation of dwellings and other buildings at five-yearly intervals coinciding with that for the forest estate and non-forest land. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS guidance. Internal valuations are subject to review by external professional valuers. Indices provided by the District Valuer are used to restate values between full valuations. A full valuation took place on 1 April 2008. The normal threshold for capitalisation of buildings is £10,000.

### Plant and machinery

Vehicles and plant are revalued every five years by professionally qualified staff employed by the Forestry Commission. They are restated to current value in the intervening years using valuations provided by internal professionally qualified staff for specialist forestry machinery and indices provided by the Office for National Statistics for all other assets. The normal threshold for capitalisation of assets is £3,000.

### Office machinery and equipment

IT and other office machinery and equipment asset values are restated to current value each year using indices provided by the Office for National Statistics. The normal threshold for capitalisation of IT assets is £2,000. Assets, if treated singly would fall below the capitalisation threshold, but collectively represent a significant asset, are capitalised as a pooled asset.

Internally generated software systems with a direct cost of £5,000 or more are recognised as a tangible fixed asset. Direct staff costs are capitalised where an individual spends at least 50% of their time on software development work. The 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.

Assets under construction

Assets under construction are carried at cost and are transferred to the appropriate fixed asset category when ready for use.

**1.8 Depreciation**

Freehold land and assets under construction are not depreciated in line with FRS 15.

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:

Buildings	-	20 to 60 years
Plant and machinery	-	up to 20 years
Office machinery and equipment	-	4 to 20 years

Impairments of fixed assets are charged to the revaluation reserve until the carrying amount of the asset reaches its depreciated historical cost and thereafter in the operating cost statement.

**1.9 Intangible assets**

Purchased software licences with an acquisition value of £5,000 or more are 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. Intangible asset values are restated to current value each year using indices provided by the Office for National Statistics.

**1.10 Stocks and work in progress**

Stocks and work in progress are valued as follows:

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

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

**1.11 Research and development**

As one of its Great Britain functions, the department commissions research from its Forest Research agency and through external contracts awarded by a variety of means including open tender. All research and development expenditure is charged to the operating cost statement in the year.

**1.12 Operating income**

Operating income represents income receivable from fees and charges for services provided.

**1.13 Operating leases**

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

### 1.14 Grants payable

Grants payable to individuals and bodies by the Forestry Commission in accordance with its statutory powers and duties are accounted for as they are approved for payment. No provision is made in the financial statements for grant offers made but not yet approved for payment.

### 1.15 Provisions

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

### 1.16 Value Added Tax (VAT)

The Forestry Commission is registered for VAT. In order to comply with Managing Public Money regulations and normal commercial practice, income and expenditure shown in the operating cost statement is net of VAT where VAT is recoverable. The Forestry Commission accounts for VAT on a Great Britain basis with any VAT due to or from HM Revenue and Customs at the year-end included in the Forestry Commission Great Britain/England accounts as a debtor or creditor in the balance sheet. Irrecoverable VAT is charged to the operating cost statement in the year in which it is incurred.

### 1.17 Financial Assets

#### Classification

The Forestry Commission classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. The Forestry Commission does not trade in derivatives and does not apply hedge accounting.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade debtors and other receivables and cash and cash equivalents in the Balance sheet.

#### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets comprise investments.

#### Recognition and measurement

Financial assets are recognised when the Forestry Commission becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Forestry Commission has transferred substantially all risks and rewards of ownership.

(a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

(b) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Forestry Commission will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the operating cost statement. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the operating cost statement.

(c) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the operating cost statement. Dividends on available-for-sale equity instruments are recognised in the operating cost statement when the Forestry Commission's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Forestry Commission establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Forestry Commission assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the operating cost statement. Impairment losses recognised in the operating cost statement on equity instruments are not reversed through the income statement.

### 1.18 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held by the Office of the Paymaster General and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance sheet.

## 1.19 Financial Liabilities

### Classification

Forestry Commission classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

#### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. The Forestry Commission does not trade in derivatives and does not apply hedge accounting.

#### (b) Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. The Forestry Commission's other financial liabilities comprise trade creditors and other payables in the Balance sheet.

### Recognition and measurement

Financial liabilities are recognised when the Forestry Commission becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

#### (a) Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

#### (b) Other financial liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTE 2 STATEMENT OF FUNDING****Summary of Outturn for the year ended 31 March 2009**

	Note	Estimate			Outturn			2008-09	2007-08
		Gross Expenditure	A-in-A	Total	Gross expenditure	A-in-A	Net Total	Net total Outturn Compared With Estimate: Saving/(excess)	Outturn
		£000	£000	£000	£000	£000	£000	£000	Net Total £000
England-wide activities	3	65,001	-	65,001	63,755	-	63,755	1,246	54,979
GB-wide activities	3	19,728	-	19,728	17,057	-	17,057	2,671	17,915
Total resources	3,4	84,729	-	84,729	80,812	-	80,812	3,917	72,894
Non-operating cost A in A		-	-	-	-	-	-	-	-

**Net cash requirement for 2008-09**

	Note	2008-09		2007-08	
		Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)	Outturn
		£000	£000	£000	£000
Net cash requirement	5	60,666	54,829	5,837	53,571

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

	Note	Forecast 2008-09		Outturn 2008-09	
		Income	Receipts	Income	Receipts
		£000	£000	£000	£000
Total		-	-	701	701

Explanations of variances between Estimate and outturn are given in the Financial Commentary.

## NOTE 3 ANALYSIS OF NET OUTTURN BY SECTION

	2008-09					2008-09		2007-08	
	Outturn					Request for Resources		Restated	
	Admin	Other current	Grants	Gross resource expenditure	A in A	Net Total	Net Total	Net Total Outturn compared with RfR	Prior-year outturn
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>England-wide Activities</b>	To direct the delivery of the Government's Strategy for Trees, Woods and Forests in England								
Forestry Commission England DEL	-	63,755	-	63,755	-	63,755	65,001	1,246	54,979
<b>Total</b>	<b>-</b>	<b>63,755</b>	<b>-</b>	<b>63,755</b>	<b>-</b>	<b>63,755</b>	<b>65,001</b>	<b>1,246</b>	<b>54,979</b>
<b>GB-wide Activities</b>	To take the lead in development and promotion of sustainable forest management across Great Britain								
Forestry Commission Great Britain DEL	-	15,668	1,389	17,057	-	17,057	19,728	2,671	17,915
<b>Total</b>	<b>-</b>	<b>15,668</b>	<b>1,389</b>	<b>17,057</b>	<b>-</b>	<b>17,057</b>	<b>19,728</b>	<b>2,671</b>	<b>17,915</b>
<b>Resource Outturn</b>	<b>-</b>	<b>79,423</b>	<b>1,389</b>	<b>80,812</b>	<b>-</b>	<b>80,812</b>	<b>84,729</b>	<b>3,917</b>	<b>72,894</b>

Explanations of the variances are given in the financial commentary.

## NOTE 4 RECONCILIATION OF NET OUTTURN TO NET OPERATING COST

	Note	2008-09		2007-08
		Outturn	Request for Resources	Restated
		£000	£000	Outturn
		£000	£000	£000
Net Outturn	3	80,812	84,729	72,894
Forest Enterprise England depreciation		2,203	-	2,156
Forest Enterprise England net capital income / (expenditure)		1,475	-	3,767
Prior Period Adjustment		-	-	-
Non-supply income (CFERs)		-	-	-
Non-supply Expenditure		-	-	-
<b>Net operating cost</b>		<b>84,490</b>	<b>84,729</b>	<b>78,817</b>

**NOTE 5 RECONCILIATION OF RESOURCES TO CASH REQUIREMENT**

	Note	Request for Resources		2008-09	2007-08
		£000	£000	Net total outturn compared with RfR: saving/(excess) £000	Restated Outturn £000
<b>Outturn</b>	3	84,729	80,812	3,917	72,894
<b>Capital:</b>					
Acquisition of fixed assets	14/15	2,000	2,674	(674)	2,936
<b>Accruals adjustments:</b>					
Non-cash items	23a	(4,211)	(5,559)	1,348	(3,605)
Changes in working capital other than cash	23a	3,158	(589)	3,747	(1,109)
Changes in creditors falling due after more than one year		-	(333)	333	-
Use of provision	20	-	385	(385)	370
Timing between accrual and cash VAT		-	59	(59)	(185)
Non-cash inter-country transfers		-	453	(453)	343
<b>Other adjustments:</b>					
Adjustment of FE net deficit to financing	11	(25,010)	(23,073)	(1,937)	(18,073)
<b>Net cash requirement</b>	2	<b>60,666</b>	<b>54,829</b>	<b>5,837</b>	<b>53,571</b>

Explanations of variances between request for resource and outturn are given in the financial commentary.

**NOTE 6 ANALYSIS OF INCOME PAYABLE TO THE CONSOLIDATED FUND**

	Note	Forecast 2008-09		Outturn 2008-09	
		Income £000	Receipts £000	Income £000	Receipts £000
Other operating income & receipts, not classified as A-in-A		-	-	-	-
Non operating income & receipts – excess A-in-A		-	-	-	-
Other non-operating income & receipts not classified as A-in-A	7	-	-	701	701
Excess cash surrenderable to the Consolidated Fund		-	-	-	-
<b>Total income payable to the Consolidated Fund</b>		<b>-</b>	<b>-</b>	<b>701</b>	<b>701</b>

**NOTE 7 NON OPERATING INCOME NOT CLASSIFIED AS A-IN-A**

The following are amounts not regarded as income in 2008-09 for the Forestry Commission and are surrendered to the Consolidated Fund:-

	Income	Receipts
	£000	£000
Interest	701	701
<b>Total amounts surrendered to the Consolidated Fund</b>	<b>701</b>	<b>701</b>



**NOTE 8 STAFF NUMBERS AND RELATED COSTS****8(a) Staff costs**

Staff costs comprise Forestry Commission England and staff employed on a Great Britain basis, which includes Great Britain, Central Shared Services and Forest Research, to provide support to Forestry Commission activities in all three countries and to its agencies:

	2008-09			2007-08
	Total	Permanently employed staff	Others	Total
				£000
<b>Forestry Commission England</b>				
Wages and salaries	6,167	6,167	-	5,663
Social security costs	470	470	-	444
Other pension costs	1,189	1,189	-	1,098
Agency staff	344	-	344	597
Inward secondments	64	64	-	134
<b>Total net costs</b>	<b>8,234</b>	<b>7,890</b>	<b>344</b>	<b>7,936</b>
<b>Forestry Commission Great Britain</b>				
Wages and salaries	1,857	1,857	-	1,729
Social security costs	156	156	-	149
Other pension costs	354	354	-	333
Agency staff	-	-	-	-
Inward secondments	-	-	-	5
<b>Total net costs</b>	<b>2,367</b>	<b>2,367</b>	<b>-</b>	<b>2,216</b>
Less recoveries in respect of outward secondments	(117)	(117)	-	(180)
<b>Total net costs</b>	<b>2,250</b>	<b>2,250</b>	<b>-</b>	<b>2,036</b>
<b>Forestry Commission Central Shared Services</b>				
Wages and salaries	6,999	6,999	-	6,809
Social security costs	527	527	-	520
Other pension costs	1,315	1,315	-	1,295
Agency staff	153	-	153	202
Inward secondments	-	-	-	27
Capitalised costs	(440)	(440)	-	(350)
<b>Sub-total</b>	<b>8,554</b>	<b>8,401</b>	<b>153</b>	<b>8,503</b>
Less recoveries in respect of outward secondments	-	-	-	(59)
<b>Total net costs</b>	<b>8,554</b>	<b>8,401</b>	<b>153</b>	<b>8,444</b>
<b>Forestry Commission Great Britain/England Core department</b>				
Total costs per Operating Cost Statement	19,155	18,658	497	18,655
Less recoveries in respect of outward secondments	(117)	(117)	-	(239)
<b>Total net costs</b>	<b>19,038</b>	<b>18,541</b>	<b>497</b>	<b>18,416</b>
<b>Forest Research</b>				
Wages and salaries	7,727	7,727	-	7,551
Social security costs	583	583	-	573
Other pension costs	1,480	1,480	-	1,426
Agency staff	35	-	35	35
<b>Total net costs</b>	<b>9,825</b>	<b>9,790</b>	<b>35</b>	<b>9,585</b>
<b>Forestry Commission Great Britain/England Consolidated department</b>				
Total costs per Operating Cost Statement	28,980	28,448	532	28,240
Less recoveries in respect of outward secondments	(117)	(117)	-	(239)
<b>Total net costs</b>	<b>28,863</b>	<b>28,331</b>	<b>532</b>	<b>28,001</b>

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Forestry Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (<http://beta.civilservice.gov.uk/pensions>).

For 2008-09, employers' contributions of £4,314,000 were payable to the PCSPS (2007-08: £4,128,100) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (The rates in 2007-08 were between 17.1 and 25.5%). The scheme's actuary review employer contributions every four years following a full scheme valuation. From 2008-09, the salary bands will be revised and the rates will remain the same. The contribution rates are set to meet the cost of the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £24,200 (2007-08: £24,000) were paid to one of more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. In addition, employer contributions of £1,700, 0.8% 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.

One individual retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £1,240.

### 8(b) Average number of persons employed

Staff numbers have been apportioned pro rata to the net expenditure on each objective. The average number of whole-time equivalent persons employed during the year was as follows.

	2008-09		2007-08
	Total	Permanently-employed staff	Restated
	Number	Number	Number
<b>England Objectives</b>			
Quality of Life	60	54	58
Natural Environment	117	105	114
Business and Markets	44	40	43
<b>England Total</b>	<b>221</b>	<b>199</b>	<b>215</b>
<b>Great Britain Objectives</b>			
To take the lead in development and promotion of sustainable forest management and to support its achievement nationally	543	487	560
<b>Great Britain Total</b>	<b>543</b>	<b>487</b>	<b>560</b>

**NOTE 9 OTHER ADMINISTRATION COSTS**

The Forestry Commission is exempt from the Administration Budget regime which most central government departments and their agencies are bound by. Administration costs in year can be analysed as follows:-

	Note	2008-09		2007-08	
		Core £000	Consolidated £000	Core £000	Consolidated £000
Staff transfers		632	691	428	496
Computer costs		2,172	2,258	2,287	2,376
Travel and subsistence		1,266	1,832	1,201	1,759
Accommodation		2,172	2,858	1,616	2,263
Communication		1,283	1,393	1,391	1,522
Training		570	655	465	526
Premature retirement costs		133	129	114	110
Losses and compensation		92	104	23	33
Legal		136	187	412	557
Other		2,906	3,151	2,701	2,718
		<u>11,362</u>	<u>13,258</u>	<u>10,638</u>	<u>12,360</u>
<b>Rentals under operating leases:</b>					
Hire of plant and machinery		208	208	213	213
Other operating leases		2,234	2,234	2,287	2,287
		<u>2,442</u>	<u>2,442</u>	<u>2,500</u>	<u>2,500</u>
<b>Research and development expenditure:</b>		1,389	1,389	1,280	1,280
<b>Non-cash items:</b>					
Cost of capital		125	599	170	681
Auditors remuneration and expenses – audit work		85	85	70	70
Auditors remuneration and expenses – non-audit work		-	-	-	-
Depreciation of tangible fixed assets	14	1,702	2,360	1,219	1,836
Amortisation of intangible fixed assets	15	343	402	324	377
(Gains)/losses on disposal of assets		7	155	24	62
Impairment		9	9	69	69
VME revaluation reserve write-off		-	-	-	-
Provisions excluding exceptional item					
Provided in year	20	285	321	524	528
Provisions not required written back	20	(142)	(142)	(1)	-
Unwinding of discount	20	5	(22)	(23)	(18)
		<u>2,419</u>	<u>3,767</u>	<u>2,376</u>	<u>3,605</u>
<b>Total</b>		<u><b>17,612</b></u>	<u><b>20,856</b></u>	<u><b>16,794</b></u>	<u><b>19,745</b></u>

**NOTE 10 OPERATING INCOME**

	2008-09		2007-08	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
<b>Shared services</b>				
Income from Scotland	7,204	7,204	6,777	6,777
Income from Wales	3,332	3,332	3,139	3,139
Income from Forest Enterprise England	4,456	4,456	3,801	3,801
	14,992	14,992	13,717	13,717
Income from operating leases	716	716	448	448
Other operating income	1,337	1,337	759	759
<b>Total</b>	<b>17,045</b>	<b>17,045</b>	<b>14,924</b>	<b>14,924</b>

On consolidation, the internal income received by central shared services from Forestry Commission Great Britain £3,220,000 (2007-08 £3,574,000), Forestry Commission England £3,451,000 (2007-08 £3,131,000) and Forest Research £826,000 (2007-08 £797,000) was removed from operating income. Seven areas of work are identified as shared services:

- Finance and accounting services
- Information services
- Human resources, including Learning and Development
- Communications
- Operational support services
- Internal audit
- Business sustainability

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

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

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

All income from operating leases are from buildings that are sub-leased and not owned by Forestry Commission Great Britain/England.

**NOTE 11 PROGRAMME COSTS**

	2008-09		2007-08 Restated	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
<b>England-wide Activities</b>				
Support for forestry and the rural economy, including grants paid to private woodland owners	5,809	5,809	7,167	7,167
Other programme costs	2,943	2,943	1,236	1,236
<b>Sub-total</b>	<b>8,752</b>	<b>8,752</b>	<b>8,403</b>	<b>8,403</b>
Forest Enterprise England funding	45,399	45,399	39,401	39,401
<b>Total</b>	<b>54,151</b>	<b>54,151</b>	<b>47,804</b>	<b>47,804</b>
<b>GB-wide Activities</b>				
Other programme costs, including research and publications	692	2,758	678	3,365
<b>Total</b>	<b>692</b>	<b>2,758</b>	<b>678</b>	<b>3,365</b>

Forestry Commission Great Britain/England programme costs include Forest Enterprise England's deficit of £45,399,000 (2007-08 £39,401,000). After adjusting for non-cash transactions and capital of £26,751,000 (2007-08 £23,996,000), Forest Enterprise received cash funding of £18,648,000 (2007-08 £15,405,000). To reconcile resource outturn to the net cash requirement in the Statement of Parliamentary Supply, the non-cash transactions are adjusted by Forest Enterprise England's net capital expenditure and depreciation to calculate the adjustment of Forest Enterprise England deficit to financing of £23,073,000 (2007-08 £18,073,000).

	2008-09	2007-08
	£000	£000
<b>Capital</b>		
Net capital expenditure	(880)	411
Donations toward capital expenditure	400	353
Government grants toward capital expenditure	1,955	3,003
<b>Accruals adjustments</b>		
Cost of capital	24,031	19,467
Non cash items	1,993	1,737
Changes in working capital, including cash	(590)	(681)
Changes in provision	(158)	(294)
<b>Total cash adjustments (note 23a)</b>	<b>26,751</b>	<b>23,996</b>
Adjust supply expenditure for Forest Enterprise net capital	880	(411)
Adjust supply expenditure for Forest Enterprise depreciation	(2,203)	(2,156)
Donations toward capital expenditure	(400)	(353)
Government grants toward capital expenditure	(1,955)	(3,003)
<b>Adjustment of FE deficit to financing</b>	<b>23,073</b>	<b>18,073</b>

**NOTE 12 PROGRAMME INCOME**

	<b>2008-09</b>		<b>2007-08 Restated</b>	
	<b>Core</b>	<b>Consolidated</b>	<b>Core</b>	<b>Consolidated</b>
	£000	£000	£000	£000
<b>England-wide Activities</b>				
Other income	2,943	2,943	1,236	1,236
<b>Total</b>	<b>2,943</b>	<b>2,943</b>	<b>1,236</b>	<b>1,236</b>
<b>GB-wide Activities</b>				
EU receipts	-	450	-	65
Other income	266	4,310	426	4,112
<b>Total</b>	<b>266</b>	<b>4,760</b>	<b>426</b>	<b>4,177</b>

**NOTE 13 ANALYSIS OF NET OPERATING COST BY SPENDING BODY**

	<b>2008-09</b>	<b>2007-08 Restated</b>
	<b>Request for Resource</b>	<b>Outturn</b>
	£000	£000
Forestry Commission Great Britain/England	84,029	77,419
Forest Research Agency	700	1,398
<b>Net Operating Cost</b>	<b>84,729</b>	<b>78,817</b>

**NOTE 14 TANGIBLE FIXED ASSETS**

	Land and Buildings	Plant and Machinery	OME	Payments on Account & Assets Under Construction	Total
	£000	£000	£000	£000	£000
<b>Cost or valuation:</b>					
At 1 April 2008	15,166	3,002	7,579	1,215	26,962
Additions	-	204	2,419	-	2,623
Donations	-	-	5	-	5
Disposals	(116)	(172)	(197)	-	(485)
Transfers	(16)	(37)	1,116	(1,215)	(152)
Write-offs	-	-	-	-	-
Revaluation to current prices	(1,610)	25	(6)	-	(1,591)
Impairment	-	(2)	(16)	-	(18)
<b>At 31 March 2009</b>	<b>13,424</b>	<b>3,020</b>	<b>10,900</b>	<b>-</b>	<b>27,344</b>
<b>Depreciation:</b>					
At 1 April 2008	1,805	1,270	2,513	-	5,588
Provided during year	332	277	1,751	-	2,360
Disposals	(26)	(120)	(188)	-	(334)
Transfers	-	(35)	-	-	(35)
Write-offs	-	-	-	-	-
Revaluation to current prices	-	14	(3)	-	11
Impairment	-	(3)	(6)	-	(9)
<b>At 31 March 2009</b>	<b>2,111</b>	<b>1,403</b>	<b>4,067</b>	<b>-</b>	<b>7,581</b>
<b>Net Book Value at:</b>					
<b>31 March 2009</b>	<b>11,313</b>	<b>1,617</b>	<b>6,833</b>	<b>-</b>	<b>19,763</b>
<b>1 April 2008</b>	<b>13,361</b>	<b>1,732</b>	<b>5,066</b>	<b>1,215</b>	<b>21,374</b>

Analysis of tangible fixed assets:

The net book value of tangible fixed assets comprises:

<b>Core 2008-09</b>	<b>832</b>	<b>23</b>	<b>6,633</b>	<b>-</b>	<b>7,488</b>
<b>Agency 2008-09</b>	<b>10,481</b>	<b>1,594</b>	<b>200</b>	<b>-</b>	<b>12,275</b>
Core 2007-08	1,210	25	4,772	1,215	7,222
Agency 2007-08	12,151	1,707	294	-	14,152

All assets are owned by the Forestry Commission.

As at 1 April 2008, land and buildings were valued at £707,000 by Mr Thornycroft MRICS who is head of estates with further revaluations against this figure during 2008-09 reflected in the above table. This was on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or discounted cash flows as appropriate under the RICS guidance. The next full professional revaluation is due at 1 April 2013. For 2008-09, valuations were updated using indices provided by the District Valuer and valuations provided by the Country Land Agent.

Plant and machinery was valued at £1,617,000 as at 31 March 2009 based on indices provided by the Office for National Statistics for all other assets.

Office machinery and equipment assets were restated to a current value of £6,833,000 as at 31 March 2009 using an index provided by the Office for National Statistics.

**NOTE 15 INTANGIBLE FIXED ASSETS**

Intangible fixed assets comprise of software licences.

	<b>2008-09</b>	<b>2007-08</b>
	<b>£000</b>	<b>£000</b>
<b>Cost or valuation:</b>		
At 1 April 2008	2,679	2,197
Additions	51	383
Disposals	(13)	-
Transfers	-	108
Revaluation to current prices	(3)	(9)
Impairment	-	-
<b>At 31 March 2009</b>	<b>2,714</b>	<b>2,679</b>
<b>Amortisation:</b>		
At 1 April 2008	1,214	839
Provided during year	402	377
Disposals	(6)	-
Transfers	-	-
Revaluation to current prices	(1)	(2)
Impairment	-	-
<b>At 31 March 2009</b>	<b>1,609</b>	<b>1,214</b>
<b>Net Book Value at:</b>		
<b>31 March 2009</b>	<b>1,105</b>	<b>1,465</b>
<b>1 April 2008</b>	<b>1,465</b>	<b>1,358</b>

**Analysis of intangible fixed assets**

The net book value of intangible fixed assets comprises:

	<b>£000</b>
<b>Core 2008-09</b>	<b>963</b>
<b>Agency 2008-09</b>	<b>142</b>
<b>Core 2007-08</b>	<b>1,306</b>
<b>Agency 2007-08</b>	<b>159</b>

**NOTE 16 STOCKS AND WORK IN PROGRESS**

	<b>2008-09</b>		<b>2007-08</b>	
	<b>Core</b>	<b>Consolidated</b>	<b>Core</b>	<b>Consolidated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Stocks	160	163	170	173
Raw materials and work in progress	-	623	-	948
<b>Total</b>	<b>160</b>	<b>786</b>	<b>170</b>	<b>1,121</b>



## NOTE 17 DEBTORS

## 17(a) Analysis by type

	2008-09		2007-08 Restated	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
VAT	1,834	1,834	2,737	2,737
Trade debtors	886	1,310	311	1,039
Other debtors	112	112	143	147
House purchase loans to employees	15	20	15	23
Prepayments and accrued income	1,508	1,755	1,342	1,526
	<b>4,355</b>	<b>5,031</b>	<b>4,548</b>	<b>5,472</b>
	2008-09		2007-08	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
<b>Amounts falling due after more than one year:</b>				
House purchase loans to employees	96	154	58	102

Forestry Commission Great Britain/England had house purchase loans totalling £174,000 outstanding at 31 March 2009 relating to 18 employees. The core department had house purchase loans totalling £111,000 outstanding at 31 March 2009 relating to 14 employees.

## 17(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008-09	2007-08 Restated	2008-09	2007-08 Restated
	£000	£000	£000	£000
Balances with other central government bodies	594	4,022	-	-
Balances with local authorities	71	68	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Intra-government balances	665	4,090	-	-
Balances with bodies external to government	4,366	1,382	154	102
	<b>5,031</b>	<b>5,472</b>	<b>154</b>	<b>102</b>
Total debtors at 31 March				

**NOTE 18 CASH AT BANK AND IN HAND**

	2008-09		2007-08	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Balance at 1 April	4,968	5,243	2,862	3,110
Net change in cash balances	1,116	1,295	2,106	2,133
<b>Balance at 31 March</b>	<b>6,084</b>	<b>6,538</b>	<b>4,968</b>	<b>5,243</b>
The following balances at 31 March are held at:				
Balance with Office of Paymaster General	6,084	6,084	4,968	4,968
Cash at commercial banks and cash in hand	-	454	-	275
<b>Balance at 31 March</b>	<b>6,084</b>	<b>6,538</b>	<b>4,968</b>	<b>5,243</b>
Amounts issued from the consolidated fund for supply but not spent at the year end	<b>5,383</b>	<b>5,837</b>	<b>4,968</b>	<b>5,243</b>
CFER: Income due to be surrendered to the consolidated fund	<b>701</b>	<b>701</b>	-	-

**NOTE 19 CREDITORS****19(a) Analysis by type**

	2008-09		2007-08 Restated	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Other taxation and social security	2,805	2,805	2,661	2,661
Trade creditors	3,270	3,620	2,027	2,875
Other creditors	42	55	1,657	1,670
Accruals and deferred income	975	975	734	734
Payments received on account	-	677	-	324
Amounts issued from Westminster consolidated fund (supply) but not spent at year end	-	-	5,243	5,243
Amounts issued from Defra vote but not spent at year end	5,837	5,837	-	-
Consolidated Fund extra receipts due to be paid to the Consolidated Fund: received	701	701	-	-
<b>Total</b>	<b>13,630</b>	<b>14,670</b>	<b>12,322</b>	<b>13,507</b>
<b>Amounts falling due after more than one year:</b>				
Deferred Income	<b>991</b>	<b>991</b>	<b>658</b>	<b>658</b>

2007/08 balances have been restated in respect of a £658k deferred income balance which was incorrectly disclosed within the amount falling due within one year category.

Forest Enterprise England acted as co-ordinator for the Interreg Project which was funded by the European Union and which completed in 2008-09. The purpose of the Interreg Project was the promotion and guidance of 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 2009 the amount held in Forestry Commission bank accounts on behalf of partners was £nil (£66,445 in 2007-08).

Amounts held in Forest Research bank accounts on behalf of partners in European Commission projects at 31 March 2009 was £453,000 (£275,000 in 2007-08). This has subsequently all been transferred to the partners concerned.

### 19(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008-09	2007-08 Restated	2008-09	2007-08 Restated
	£000	£000	£000	£000
Balances with other central government bodies	11,119	4,494	-	-
Balances with local authorities	224	68	177	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	1	-	-	-
Intra-government balances	11,344	4,562	177	-
Balances with bodies external to government	3,326	8,945	814	658
<b>Total creditors at 31 March</b>	<b>14,670</b>	<b>13,507</b>	<b>991</b>	<b>658</b>

### NOTE 20 PROVISION FOR LIABILITIES AND CHARGES

	Core			Consolidated		
	Early Departure Costs	Other	Total	Early Departure Costs	Other	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2008	937	-	937	1,040	-	1,040
Provided in the year	278	1,280	1,558	1,580	1,280	2,860
Provisions not required written back	(142)	-	(142)	(142)	-	(142)
Utilised in the year	(351)	-	(351)	(385)	-	(385)
Unwinding of discount	5	-	5	(68)	-	(68)
<b>Balance at 31 March 2009</b>	<b>727</b>	<b>1,280</b>	<b>2,007</b>	<b>2,025</b>	<b>1,280</b>	<b>3,305</b>

#### Early Departure Costs

Forestry Commission Great Britain/England meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forestry Commission Great Britain/England provides for this in full when the early retirement programme becomes binding on Forestry Commission Great Britain/England by establishing a provision for the estimated payments discounted by the treasury discount rate of 2.2 per cent in real terms.

Restructuring Provisions

Forestry Commission England has provided for those costs for which a contractual liability was incurred when the closure of the Cambridge office was announced, mainly compulsory redundancy payments.

The Forest Research Agency is also undergoing restructuring and has made provision for associated early retirement costs.

Restructuring costs are disclosed in the Operating Cost Statement as exceptional items of expenditure in 2008-09.

The following restructuring costs have been provided for:-

	<b>Core</b>	<b>Consolidated</b>
	£000	£000
Redundancy / Early Retirement Costs	1,036	2,256
Onerous Lease	207	207
Legal Fees	30	30
<b>Total Restructuring Provision</b>	<b>1,273</b>	<b>2,493</b>

**NOTE 21 GENERAL FUND**

	<b>2008-09</b>		<b>2007-08 Restated</b>	
	<b>Core</b>	<b>Consolidated</b>	<b>Core</b>	<b>Consolidated</b>
	£000	£000	£000	£000
Balance at 1 April	3,878	10,964	3,959	11,454
Prior Period Adjustment	(234)	(234)	-	-
Adjusted opening balance	3,644	10,730	-	-
Net operating cost for the year	(72,629)	(84,490)	(67,345)	(78,817)
Internal charges adjustment	(10,039)	-	(10,074)	-
Net parliamentary funding	-	-	69,397	69,786
Funding received from Defra vote	61,334	60,666	(10,972)	(10,972)
Forest Enterprise England non-cash adjustments	26,751	26,751	23,996	23,996
Notional cost of capital	125	599	170	681
Transfer of fixed assets from/to other forestry bodies	(102)	(122)	(168)	(168)
Transfer from revaluation reserve	-	28	15	101
Timing between accrual and cash VAT	(55)	(59)	183	185
Non-cash inter-country transfers	(449)	(454)	(344)	(343)
Notional auditor's remuneration	85	85	70	70
Amounts issued from the Consolidated Fund for supply but not spent at year end	-	-	(5,243)	(5,243)
Amounts issued from Defra vote but not spent at year end	(5,837)	(5,837)	-	-
CFERs repayable to the Consolidated Fund	(701)	(701)	-	-
Balance at 31 March	<b>2,127</b>	<b>7,196</b>	<b>3,644</b>	<b>10,730</b>

**NOTE 22 RESERVES****Note 22(a) Revaluation Reserve**

	2008-09		2007-08	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Balance at 1 April	711	8,842	626	7,637
Arising on revaluation during the year	(325)	(1,604)	100	1,306
Realised element of revaluation reserve	-	(28)	(15)	(101)
Write-off	-	-	-	-
Balance at 31 March	<b>386</b>	<b>7,210</b>	<b>711</b>	<b>8,842</b>

**Note 22(b) Donated Asset Reserve**

	2008-09		2007-08	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Balance at 1 April	-	-	-	-
Additions during the year	5	5	-	-
Revaluation	-	-	-	-
Release to the I&E	-	-	-	-
Balance at 31 March	<b>5</b>	<b>5</b>	-	-

**NOTE 23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****23(a) Reconciliation of operating cost to operating cash flows**

	Note	2008-09	2007-08
		£000	Restated £000
Net operating cost before exceptional items		81,997	78,817
Exceptional items	20	2,493	-
Adjustments for non cash transactions	9	(3,767)	(3,605)
Adjustment for CFER		701	-
Adjustments for non cash transactions – exceptional items	20	(2,493)	-
Timing between accrual and cash VAT		59	(185)
Non-cash inter-country services		453	343
Forest Enterprise England non-cash adjustments		(26,751)	(23,996)
(Decrease) in stock		(335)	(446)
(Decrease)/ increase in debtors		(388)	818
(Increase) in creditors		(1,496)	(3,614)
less movements in creditors relating to items not passing through OCS		1,297	2,133
Use of provisions	20	385	370
<b>Net cash outflow from operating activities</b>		<b>52,155</b>	<b>50,635</b>

**23(b) Analysis of capital expenditure and financial investment**

		<b>2008-09</b>	<b>2007-08</b>
	Note	£000	£000
Tangible fixed assets additions	14	2,628	2,553
Intangible fixed assets additions	15	51	383
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>2,679</b>	<b>2,936</b>

**23(c) Analysis of capital expenditure and financial investment by Request for Resources**

	<b>Capital expenditure</b>	<b>Loans</b>	<b>A in A</b>	<b>Net total</b>
	£000	£000	£000	£000
England-wide Activities	45	-	-	45
GB-wide Activities	2,629	-	-	2,629
Net movement in debtors/creditors	-	-	-	-
<b>Total 2008-09</b>	<b>2,674</b>	<b>-</b>	<b>-</b>	<b>2,674</b>
<b>Total 2007-08</b>	<b>2,936</b>	<b>-</b>	<b>-</b>	<b>2,936</b>

**23(d) Analysis of financing**

		<b>2008-09</b>	<b>2007-08</b>
	Note	£000	<b>Restated</b> £000
From the Consolidated Fund	21	-	69,786
From the Defra vote (RfR2)	21	60,666	(10,972)
Donations towards capital expenditure	22b	5	-
<b>Net financing</b>		<b>60,671</b>	<b>58,814</b>

**23(e) Reconciliation of Net Cash Requirement to increase/ (decrease) in cash**

		<b>2008-09</b>	<b>2007-08</b>
	Note	£000	<b>Restated</b> £000
Net cash requirement	5	(54,829)	(53,571)
From the consolidated fund	23(d)	-	58,814
From the Defra vote (RfR2)	23(d)	60,666	-
Payment of amount due to Consolidated Fund		-	(3,110)
Payment of amount due to Defra		(5,243)	-
Amounts due to the consolidated fund received and not paid over		701	-
<b>Increase in cash</b>		<b>1,295</b>	<b>2,133</b>

**NOTE 24 CONSOLIDATED STATEMENT OF NET OPERATING COSTS BY DEPARTMENTAL STRATEGIC OBJECTIVES FOR THE YEAR ENDED 31 MARCH 2009**

	2008-09			2007-08 Restated Net		
	Gross Expenditure £000	Income £000	Net £000	Gross Expenditure £000	Income £000	Net £000
<b>England Objectives</b>						
Quality of Life	20,406	(837)	19,569	18,053	(428)	17,625
Natural Environment	33,297	(1,644)	31,653	29,571	(840)	28,731
Business and Markets	16,831	(620)	16,211	14,861	(317)	14,544
<b>England Net Operating Costs</b>	<b>70,534</b>	<b>(3,101)</b>	<b>67,433</b>	<b>62,485</b>	<b>(1,585)</b>	<b>60,900</b>
<b>Great Britain Objective</b>						
To take the lead in development and promotion of sustainable forest management and to support its achievement nationally	38,704	(21,647)	17,057	36,669	(18,752)	17,917
<b>Great Britain Net Operating Costs</b>	<b>38,704</b>	<b>(21,647)</b>	<b>17,057</b>	<b>36,669</b>	<b>(18,752)</b>	<b>17,917</b>
<b>Great Britain/England Net Operating Costs</b>	<b>109,238</b>	<b>(24,748)</b>	<b>84,490</b>	<b>99,154</b>	<b>(20,337)</b>	<b>78,817</b>

**Description of England Objectives**

Quality of Life: To increase the contribution that trees, woods and forests make to the quality of life for those living in, working in or visiting England.

Natural Environment: To protect and enhance the environmental resources of water, soil, air, biodiversity and landscapes (both woodland and non-woodland) and the cultural and amenity values of trees and woodland.

Business and Markets: To improve the competitiveness of woodland businesses and promote the development of new or improved markets for sustainable woodland products and ecosystem services where this will deliver identifiable public benefits, nationally or locally.

**Explanation of the relationship between Departmental Strategic Objectives (above) and our Aims and Objectives on page 22.**

The three Departmental Strategic Objectives under which we report our net operating costs are aligned to delivery of the three themes rather than the five aims of the Strategy for England's Trees Woods and Forests and Improving how we work (Modernising our delivery and Managing our resources) which we set out in the 2008-2011 Corporate Plan.

Both "protecting and enhancing the resource" and "climate change" are not reported in their own right, rather they are underpinning themes that run through the three Departmental Strategic Objectives. Likewise "modernising our delivery and managing our resources" are an integral part of improving the way we work, being implemented as part of the improved process for the delivery of all three of the Departmental Strategic Objectives.

**Explanation of Allocation**

Expenditure in the schedule 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.

**Capital employed by Departmental Strategic Objectives at 31 March 2009**

Forestry Commission Great Britain/England's capital is employed for both programme and administration purposes. Its distribution amongst objectives is not markedly different from the proportion of related gross expenditure. Capital employed has therefore been allocated to objectives in proportion to gross expenditure.

	<b>2008-09</b>	<b>2007-08</b> <b>Restated</b>
	£000	£000
<b>England Objectives</b>		
Quality of Life	2,692	3,563
Natural Environment	4,393	5,838
Business and Markets	2,220	2,933
<b>England capital employed</b>	<b>9,305</b>	<b>12,334</b>
<b>Great Britain Objective</b>		
To take the lead in development and promotion of sustainable forest management and to support its achievement nationally	5,106	7,238
<b>Great Britain Objective</b>	<b>5,106</b>	<b>7,238</b>
<b>Capital employed</b>	<b>14,411</b>	<b>19,572</b>

**NOTE 25 CAPITAL COMMITMENTS**

There were no contracted capital commitments at 31 March 2009.

**NOTE 26 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:

	<b>2008-09</b>		<b>2007-08</b>	
	<b>Core</b>	<b>Consolidated</b>	<b>Core</b>	<b>Consolidated</b>
	£000	£000	£000	£000
Building leases expiring within:				
One year	56	56	18	18
Two to five years	334	334	371	371
More than five years	1,423	1,423	1,881	1,881
<b>Total</b>	<b>1,813</b>	<b>1,813</b>	<b>2,270</b>	<b>2,270</b>



Building lease rentals include irrecoverable VAT.

Other leases expiring within:

One year	58	58	58	58
Two to five years	150	150	155	155
More than five years	-	-	-	-
<b>Total</b>	<b>208</b>	<b>208</b>	<b>213</b>	<b>213</b>

## NOTE 27 OTHER FINANCIAL COMMITMENTS

### Planting and replanting grants

At 31 March 2009, Forestry Commission England was committed under draft and signed contracts to the payment of future instalments of planting and replanting grants amounting to £2.6 million (2007-08: £1.9 million)

### Existing woodlands

Forestry Commission England was committed under draft and signed contracts to the payment of future instalments of grants which support existing woodlands amounting to £2.4 million at 31 March 2009 (2007-08: £10.5 million)

## NOTE 28 CONTINGENT LIABILITIES

As part of the relocation of the Cambridge office to Bristol, staff members who choose to move have been offered financial assistance towards their relocation costs. It is not possible to quantify this liability, as it is subject to a range of choices to be made by staff during 2009/10.

There were two contingent liabilities as at 31 March 2009 in respect of ex employees of the Forest Research Agency.

## NOTE 29 LOSSES AND SPECIAL PAYMENTS

	2008-09		2007-08	
	Number	£000	Number	£000
Losses total	24	39	18	29
Special payments total	5	85	7	16

**NOTE 30 POST BALANCE SHEET EVENTS**

In accordance with the requirements of FRS21, post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date the accounts are laid before Parliament. These accounts will be laid before Parliament on 16 July 2009.

**NOTE 31 RELATED PARTY TRANSACTIONS**

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

In addition, Forestry Commission Great Britain/England has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission has had dealings are HM Treasury, UK Co-ordinating Body, the Paymaster General's Office, HM Revenue and Customs, the Department for the Environment, Food and Rural Affairs, the Department for Communities and Local Government, the North West Development Agency, Yorkshire Forward the Greater London Authority, South East Development Agency and East of England Development Agency.

In the year to 31 March 2009, Forest Enterprise England entered into material transactions involving Martin Gale, a non-executive Forestry Commissioner, which are disclosed in their Annual Report and Accounts for 2008-09.

£4,100 and £3,600 were paid in year on an arm's length basis to the University of Reading and the University of Southampton, respectively, for course fees and production of a database. These transactions are disclosed as Andy Moffat holds a visiting professorship at the University of Reading and Peter Freer-Smith holds a visiting professorship at the University of Southampton.

Sir Harry Studholme, Commissioner for England and Chair of the National Committee received a Farm Woodland Premium Scheme grant of £1,895 during the year. There were no further payments due at 31 March 2009.

The partner of a member of the National Committee for England, received salary payments of £28,000, benefits of £3,000, and allowances of £4,000 as part of a normal salary package for employment at the Forestry Commission. The National Committee member played no role in the appointment, management or setting the remuneration of their partner.

**NOTE 32 FINANCIAL INSTRUMENTS****32.1 Financial Instruments by Category**

	2008-09			2007-08		
	Loans and Receivables £000	Available-for-Sale £000	Total £000	Loans and Receivables £000	Available-for-Sale £000	Total £000
<b>Assets as per the Balance Sheet</b>						
Available-for-sale financial assets	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Trade and other receivables	1,596	-	1,596	1,311	-	1,311
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Cash and cash equivalents	6,538	-	6,538	5,243	-	5,243
<b>Total</b>	<b>8,134</b>	<b>-</b>	<b>8,134</b>	<b>6,554</b>	<b>-</b>	<b>6,554</b>
	2008-09			2007-08		
	Liabilities at fair value through the profit and loss £000	Other financial liabilities £000	Total £000	Liabilities at fair value through the profit and loss £000	Other financial liabilities £000	Total £000
<b>Liabilities as per the Balance Sheet</b>						
Borrowings	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Trade and other payables excluding statutory liabilities	-	6,710	6,710	-	7,513	7,513
<b>Total</b>	<b>-</b>	<b>6,710</b>	<b>6,710</b>	<b>-</b>	<b>7,513</b>	<b>7,513</b>

**32.2 Exposure to Risk**

The Forestry Commission's activities expose it to a variety of financial risks.

Credit risk – the possibility that other parties might fail to pay amounts due;

Liquidity risk – the possibility that the Forestry Commission might not have funds available to meet its commitments to make payments; and

Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Because of the largely non-trading nature of its activities and the way in which government departments are financed, the Forestry Commission is not exposed to the degree of financial risk faced by business entities.

**a) Credit Risk**

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Forestry Commission's exposure to credit risk is limited to the risk on non-payment by customers, as minimal deposits are held with commercial banks.

Customers are assessed, taking into account their financial position, past experience and other factors with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Forestry Commission.

The utilisation of credit limits is regularly monitored.

The Forestry Commission monitors overdue payments from customers on an individual basis. At 31 March 2009, the Forestry Commission made provision against 11 debts totalling £105,000 analysed as follows:-

	<b>2008-09</b>
	<b>£000</b>
Customer ceased trading or in administration	45
Customer deceased	1
Advanced legal proceedings underway	37
Other	22
<b>Total</b>	<b>105</b>

£1,124,000 of the £1,310,000 trade debtor balance is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>2008-09</b>
	<b>£000</b>
Less than one month	330
One to two months	208
Two to three months	78
More than three months	508
<b>Total</b>	<b>1,124</b>

#### b) Liquidity Risk

Each financial year, the Westminster Parliament makes provision for the use of resources by the Forestry Commission for revenue and capital purposes in a Budget Act via the Defra vote. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial year. The Forestry Commission is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>Less than 1</b>	<b>Between 1 and 2</b>	<b>Between 2 and 5</b>	<b>Over 5 years</b>
	<b>year</b>	<b>years</b>	<b>years</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 31 March 2009</b>				
Borrowings (excluding finance lease liabilities)	-	-	-	-
Finance lease liabilities	-	-	-	-
Derivative financial instruments	-	-	-	-
Trade and other payables excluding statutory liabilities	6,533	-	177	-
	<b>6,533</b>	<b>-</b>	<b>177</b>	<b>-</b>

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
<b>At 31 March 2008</b>				
Borrowings (excluding finance lease liabilities)	-	-	-	-
Finance lease liabilities	-	-	-	-
Derivative financial instruments	-	-	-	-
Trade and other payables excluding statutory liabilities	7,513	-	-	-
	<b>7,513</b>	-	-	-

### c) Market Risk

The department has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the department in undertaking its activities.

#### (i) Cash flow and fair value interest rate risk

The Forestry Commission has no significant interest bearing assets or liabilities and as such income and expenditure cashflows are substantially independent of market interest rates.

#### (ii) Foreign Currency Risk

The Forestry Commission does not generally undertake transactions in foreign currency, therefore its exposure to foreign currency risk is minimal.

### **32.3 Capital risk management**

The Forestry Commission has no powers to borrow or invest surplus funds.

### **32.4 Fair Value Estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

**NOTE 33 MACHINERY OF GOVERNMENT CHANGE: RECONCILIATION OF RESTATED BALANCES****33.1 RDPE Balances at 31 March 2008**

	£'000
<b>Operating Cost Statement</b>	
RDPE Grant Expenditure	18,930
Income from EU Co-Financing in respect of RDPE grants	(8,192)
<b>Net effect on Operating Cost Statement</b>	<b>10,738</b>
<b>Balance Sheet</b>	
Creditors	(979)
Obligations under signed contracts	
Debtors	772
RDPE funding claimed but not received before 31 March	441
Accrued RDPE funding claimed after 31 March, but relating to the financial year 200708	1,213
Total RDPE debtor	<b>234</b>
<b>Net effect on Balance Sheet</b>	<b>10,972</b>
<b>Net effect on OCS and Balance Sheet</b>	<b>10,972</b>

**33.2 Restatement: Balance Sheet and Supporting Notes**

	Note	Per 2007-08 Published Accounts		Restated Balances		Adjustment		Description of Adjustment
		Core £'000	Consolidated £'000	Core £'000	Consolidated £'000	Core £'000	Consolidated £'000	
<b>Current Debtors</b>								
EU Funding Accrued Income	17(a)	1,355	1,355	-	-	(1,355)	(1,355)	Element of RDPE debtor removed
Prepayments and Accrued Income	17(a)	1,200	1,200	1,342	1,342	142	142	Element of RDPE debtor removed
Current Debtors	BS, 17	5,761	6,685	4,548	5,472	(1,213)	(1,213)	Total RDPE debtor removed
Debtor balances external to government	17(b)		2,595		1,382		(1,213)	Total RDPE debtor removed
<b>Current Creditors</b>								
Accruals and Deferred Income	19	2,371	2,371	1,392	1,392	(979)	(979)	Total RDPE creditor removed
Creditors	BS, 19	13,959	15,144	12,980	14,165	(979)	(979)	Total RDPE creditor removed
Creditor balances external to government	19(b)		10,582		9,603		(979)	Total RDPE creditor removed
<b>General Fund</b>								
Net Operating Cost	21	(78,083)	(89,555)	(67,345)	(78,817)	10,738	10,738	Net effect on OCS
RDPE Grant Adjustment	21	-	-	(10,972)	(10,972)	(10,972)	(10,972)	Net effect on OCS & Balance Sheet
General Fund	BS, 21	3,878	10,964	3,644	10,730	(234)	(234)	Net effect on General Fund

## 33.3 Restatement: Operating Cost Statement, Cashflow Statement and Supporting Notes

	Note	Per 2007-08 Published Accounts		Restated Balances		Adjustment		Description of Adjustment
		Core £'000	Consolidated £'000	Core £'000	Consolidated £'000	Core £'000	Consolidated £'000	
<b>Expenditure</b>								
Support for forestry and the rural economy, including grants paid to private woodland owners	12	17,905	17,905	7,167	7,165	(10,738)	(10,738)	Removal of element relating to RDPE expenditure
Grants paid to private woodland owners from EU receipts	12	8,192	8,192	-	-	(8,192)	(8,192)	Removal of element relating to RDPE expenditure
Programme Costs	OCS, 11	66,734	66,734	47,804	47,804	(18,930)	(18,930)	Total RDPE grant expenditure removed
<b>Income</b>								
EU Receipts	OCS, 12	(8,192)	(8,192)	-	-	8,192	8,192	Removal of income received for the funding of RDPE grants
<b>Net Operating Cost</b>								
Net operating cost	OCS, 21, 23(a)	78,083	89,555	67,345	78,817	(10,738)	(10,738)	Net effect on OCS of removing RDPE transactions
Net operating cost Forestry Commission Great Britain/England	11	88,157	88,157	77,419	77,419	(10,738)	(10,738)	Net effect on OCS of removing RDPE transactions
<b>England-wide activities</b>								
Forestry Commission England DEL Outturn	2, 3	65,717	65,717	54,979	54,979	(10,738)	(10,738)	Net effect on OCS of removing RDPE transactions
Net Resource Outturn	3, 4	83,632	83,632	72,894	72,894	(10,738)	(10,738)	Net effect on OCS of removing RDPE transactions
<b>Cash Flow Statement</b>								
Net cash outflow from operating activities	CF, 23(a)	(61,607)	(61,607)	(50,635)	(50,635)	10,972	10,972	Net effect on OCS and Balance Sheet
Financing	CF, 23(d)	69,786	69,786	58,814	58,814	(10,972)	(10,972)	Net effect on OCS and Balance Sheet
<b>Statement of Funding</b>								
Net cash requirement outturn	2	64,543	64,543	53,571	53,571	(10,972)	(10,972)	Net effect on OCS and Balance Sheet

**NOTE 34 ENTITIES WITHIN THE DEPARTMENTAL BOUNDARY**

The entities within the boundary during 2008-09 were as follows:

**a. Supply-financed agencies:**

Forest Research Agency, which incurred a net deficit of £1,822,000 The aggregate amount of its capital and reserves as at 31 March 2009 was £11,893,000 The annual report and accounts of the Forest Research Agency are published separately.

**b. Non-executive NDPBs:**

None

**c. Other entities:**

None



**ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 7 (2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000**

1. This direction applies to the Forestry Commission.
  
2. The Forestry Commission shall prepare accounts for the year ended 31 March 2009 in compliance with the accounting principles and disclosure requirements of the edition of the *Government Financial Reporting Manual* issued by H M Treasury ("the FReM") which is in force for 2008-09.
  
3. The accounts shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs as at 31 March 2009 and of the income and expenditure (or as appropriate, net resource outturn), total recognised gains and losses (or, as appropriate, recognised gains and losses), and cash flows of the agency 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. Compliance with the requirements of the FReM 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 FReM is inconsistent with the requirement to give a true and fair view the requirements of the FReM 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 FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.



**Chris Wobschall**  
Head of Assurance and Financial Reporting Policy  
Her Majesty's Treasury  
February 2009



# **Forest Enterprise England**

## **Annual Accounts 2008-09**

## FINANCIAL COMMENTARY

### Basis of accounts

The Forest Enterprise England accounts 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.

### Departmental accounting boundary

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

### Status

Forest Enterprise is part of Forestry Commission England which serves as the forestry department of the Westminster Parliament to advise on and implement forestry policies. Through the executive Agency, it also manages the public forest estate to deliver public benefits. The Secretary of State for Environment, Food and Rural Affairs is answerable to the Westminster Parliament for Forestry Commission Great Britain/England's overall policies and performance. Further information on Forestry Commission Great Britain/England can be found in its Annual Report and Accounts.

### Financial review

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 24 to the accounts.

Forest Enterprise England incurred a deficit on its Income and Expenditure Account, before cost of capital, of £21.4 million (2007-08 £19.9 million). The operating deficit increased by £1.4 million and the key factors are described below:

- In a difficult year we exceeded our marketing and sales plans by 0.3%, dispatching 1,392,000 cubic metres of timber with a value of £24.9 million (2007-08 £26.3 million).
- £3.4 million was raised from property sales. This comprised £2.0 million from woodland rationalisation sales, £0.6 million from the disposal of houses and £0.8 million from development and other sales. A surplus of £0.309 million on the disposals was gained, after £0.356 million expenses.
- Acquisitions totalled 157 hectares. These comprised 94 hectares in North West England, 62 hectares in the West Midlands and 1 hectare in the Forest of Dean.
- The net cost of recreation, conservation and heritage remained at £15.3 million.
- The value of the forest estate increased by £96.6 million and other land increased by £58.7 million following a 5 yearly professional valuation. Building assets were revalued upwards by £0.9 million and buildings under construction at the year end amounted to £5.2 million. The main projects taken forward, with the assistance of external funding, were the visitor centres at Grizedale in the Lake District and Beechenhurst in the Forest of Dean, together with the Kielder Observatory and the Rosliston cabin site in the West Midlands.

After adjusting the total deficit for items not involving the movement in cash and for capital expenditure and receipts, the net cash funding received from Forestry Commission England was £18.6 million (2007-08 £15.4 million).

## Forest Holidays

In May 2006, the Forestry Commission entered into a partnership with the Camping and Caravanning Club to take over management of its Forest Holidays' business. As the investment in the partnership is outside the departmental boundary and Forest Enterprise England does not exercise budgetary control over the partnership, then, in accordance with FreM 2.4, the investment is treated as a fixed asset investment. In accordance with the initial business plan, no income has been received from the investment in the partnership.

The Forest Holidays business continues to develop well, with expansion through a new site in England under consideration.

## Other Disclosures

### Research and Development

Forest Research, an executive agency of the Forestry Commission, is responsible for carrying out forest research and allied work. Although forestry is a devolved subject, Forest Research continues to be funded from Westminster. More information on the work of Forest Research can be found on the Forestry Commission website <http://www.forestry.gov.uk/research>.

### Pensions

Information on pensions is contained in the Remuneration Report and accounting policy note 1.3.

### 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 2008-09 indicates that 98.4% 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.

In October 2008, the Prime Minister committed Government organisations to improving the cash flow position of its suppliers by settling their accounts within 10 days wherever possible. Forest Enterprise England recognises its role in supporting local, rural economies and has a proven record of meeting its contractual payment terms. It also works closely with its local suppliers to ensure prompt payment of debt, management recognised that the general economic climate could potentially have a detrimental effect on small and medium enterprises and considered whether further action could be taken to improve cash flows.

Forest Enterprise England concluded that no special systems solutions would be required. Local offices have a very close working relationship with their suppliers. For the most part, local suppliers have ongoing dialogues with their Forest Enterprise England contract managers about business issues including cash flows. Through these, small/medium suppliers already had processes in place that enabled prompt payments. It was generally believed that suppliers who faced hardship would discuss the matter with contract managers and agreed solutions developed. While the above would not apply directly to larger companies, Forest Enterprise England believed that special measures would not be required because of existing levels of prompt payment.

### Personal data related incidents

There were no protected personal data related incidents reported for Forest Enterprise England in 2008–09 or previous financial years. Forestry Commission England will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvement of its systems. Further information on the handling of information risk is contained in the Statement on Internal Control.

**Auditors**

These accounts are audited by the Comptroller and Auditor General.

**Disclosure of audit information to the auditors**

So far as the Accounting Officer is aware, there is no relevant audit information of which the Forest Enterprise England auditors are unaware. The Accounting Officer has taken all the necessary steps required to make him self aware of any relevant audit information and to establish that the Forest Enterprise England auditors are aware of that information.

*Simon Hodgson*  
Accounting Officer  
8 July 2009

## REMUNERATION REPORT

### Remuneration policy

The Chief Executive was appointed on a full-time permanent basis through a fair and open external recruitment exercise under the terms of the Civil Service Commissioners Recruitment Code. The Chief Executive's salary is determined by the Forestry Commission's Senior Pay Committee which comprises the Chairman, Director General, Director Scotland, Director England, and three other non-executive Commissioners.

In reaching its recommendations, the Forestry Commission's Senior Pay Committee has regard to the following considerations:

- Guidelines circulated by the Cabinet Office implementing Government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the Government on the shape of the system, including the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further information on the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com).
- Reporting Officers' recommendations on the relative performance of each of their senior staff, whether a bonus should be paid, and if so, whether low or high. The Senior Pay Committee consider the recommendations, determine the allocation of senior staff to tranches, and decide the percentage increase to salary and any bonus to be awarded.

Remaining Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining with the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Monitoring System (PMS) of the Forestry Commission. Their increase in salary and performance bonus, if awarded, are based on their manager's assessment of their performance.

### Employment contracts

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

Members of the Forest Enterprise Management Board hold appointments that are open-ended until they reach normal retiring age, with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

### Salary and Pension Entitlements

The salary and pension entitlements of the members of the Forest Enterprise England Management Board were as follows:

	2008-09		2007-08	
	Salary £000	Benefits in kind Nearest £100	Salary £000	Benefits in kind Nearest £100
Simon Hodgson	85-90	2,300	75-80	1,500
Chris Marrow	50-55	-	-	-
Brian Mahony	65-70	-	60-65	-
Mark Thornycroft	60-65	-	55-60	-
James Swabey	55-60	-	50-55	-
Steve Meeks	50-55	-	45-50	-
Jo O'Hara	10-15 <sup>1</sup>	-	-	-
John Tewson	40-45 <sup>2</sup>	-	-	-

### Salary

'Salary' includes basic salary; performance pay or bonus; overtime and any allowances subject to UK taxation. This report is based on payments made by Forest Enterprise England and thus recorded in these accounts.

### Benefits in kind

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

<sup>1</sup> Figure quoted is for the period 1 April to 20 July 2008.

<sup>2</sup> Figure quoted is for the period 20 July 2008 to 31 March 2009.

## Pension benefits

	Accrued pension at pension age at 31 March 2009 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2009	CETV at 31 March 2008*	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Simon Hodgson	15-20 plus LS of 45-50	0-2.5 plus LS of 0-2.5	301	278	12	-
Chris Marrow	10-15 plus LS of 40-45	0-2.5 plus LS of 0-2.5	247	219	5	-
Brian Mahony	25-30 plus LS of 55-60	0-2.5 plus LS of 2.5-5	501	424	42	-
Mark Thornycroft	15-20 plus LS of 55-60	0-2.5 plus LS of 2.5-5	434	381	22	-
James Swabey	25-30 plus LS of 0-5	0-2.5 plus LS of 0-2.5	526	473	13	-
Steve Meeks	15-20 plus LS of 55-60	0-2.5 plus LS of 2.5-5	310	275	13	-
Jo O'Hara	5-10 plus LS of 25-30	0-2.5 plus LS of 0-2.5	127	123	2	-
John Tewson	15-20 plus LS of 50-55	0-2.5 plus LS of 0-2.5	331	293	9	-

\*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

## Civil Service Pensions

Pension benefits are provided through the Civil Service Pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (classic, premium, or classic plus), or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 could opt for either the appropriate defined benefit arrangement or 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, classic plus and nuvos. 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. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as for classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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 from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website <http://beta.civilservice.gov.uk/pensions>

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate with 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

**Real increase in CETV**

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

*Simon Hodgson*  
Accounting Officer  
8 July 2009

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Forestry Commission to prepare for each financial year a statement of accounts for Forest Enterprise England in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Forest Enterprise England and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

Director, Forestry Commission England as the additional Accounting Officer for Forestry Commission England has designated the Chief Executive as the Accounting Officer for Forest Enterprise England. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Forest Enterprise England's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Managing Public Money*.

## 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's 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 HM Treasury's *Managing Public Money*.

The Forestry Commission is a Great Britain cross-border department responsible for forestry matters which has a Board of Commissioners with duties and powers prescribed by statute. Forestry is a devolved matter. The Secretary of State for Environment, Food and Rural Affairs has responsibility for forestry in England as well as certain activities such as international affairs, plant health and forest research which remain reserved and funded by Westminster.

The Forestry Commissioners are statutorily responsible for the stewardship of the estate placed at their disposal by Ministers. The Forestry Commissioners have delegated to the statutory National Committee in each country, the normal exercise of their powers and duties in connection with the estate. In turn, the National Committee has delegated management of the estate to the Agency.

Director, Forestry Commission England is the executive Forestry Commissioner responsible to the Forestry Minister and to the Director General for the work of the Forestry Commission in England. The Agency Chief Executive is responsible, normally through the Director Forestry Commission England, to the National Committee for the management of the Agency. The Chief Executive is a member of the National Committee. The Chief Executive has a right of direct access to the Commissioners, and to the relevant Minister, and a right to meet them at least once a year.

As Agency Accounting Officer, I am responsible for the Agency's accounts and financial procedures and for the proper, effective and efficient use of resources provided to the Agency within the terms of the Framework Document and in pursuit of the agreed objectives and targets. In particular, I am responsible for:

- achieving the Agency's targets;
- the appointment and organisation of the Agency's staff, and deployment of other resources to achieve the aims and objectives;
- maintaining financial and management information systems to assist in the monitoring and control of performance;
- preparing and submitting the Agency's Annual Accounts;
- chairing an Agency Management Board comprising senior managers within the Agency.

As part of their responsibilities, one or more of the Accounting Officers for Forestry Commission Great Britain/England are liable to be invited to appear before the Committee of Public Accounts (PAC). It will be for Ministers to decide who should represent them at other Parliamentary Committee hearings. In practice, where a Committee's interest is confined to the day-to-day operations of the Agency, Ministers will normally regard the Chief Executive as the person best placed to appear on their behalf.

### 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's 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 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3. Capacity to handle risk

The Forestry Commission's risk management policy statement sets out why risk management is important; the procedures in place to enable the Forestry Commission to manage risk; and the roles and responsibilities individuals have to ensure risks are managed effectively. The policy was updated in March 2009 and is available to all staff via the intranet.

Risk is embedded in policymaking, planning and delivery across Forest Enterprise England.

### 4. The risk and control framework

The system of internal control incorporates risk management. It encompasses a number of elements that together facilitate an effective and efficient operation, including regular reporting to the Agency Management Board, England Executive Board and the National Committee for England.

The National Committee for England has established an Audit and Risk Committee (ARC) as a sub-committee to support them in their responsibilities for the effective management of risk, control and governance. Through its work the ARC provides independent assurance to the National Committee on those key activities within the direct control of England which support the achievement of England's objectives.

The ARC operates in accordance with the principles contained in the Treasury's Audit Committee Handbook. The ARC advises the National Committee and Accounting Officers on:

- the strategic processes for risk, control and governance in FC England and FE England;
- the Statement on Internal Control in FC Great Britain/England and FE England;
- the accounting policies, the accounts and the annual report of FC Great Britain/England and FE England, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter(s) of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including internal audit reports and external audit's management letter;
- assurances relating to the corporate governance requirements for Forestry Commission England and Forest Enterprise England; and
- anti-fraud policies and whistle-blowing processes.

The Committee met three times in July and November 2008 and February 2009. In all cases they considered a range of reports from management, and from internal and external audit. The ARC reviewed its own effectiveness in February 2009, using the NAO's 'Self-Assessment Checklist' and reported the results of that review to the National Committee.

A Forestry Commission wide Risk Management Group (RMG) co-ordinates the continued development of risk management within, and the sharing of best practice across, the Commission. The RMG met in March 2009 to approve a revised risk policy document, to update members on developments in each part of the Commission and to review progress on business continuity planning.

In the year to 31 March 2009, Forest Enterprise England has further embedded risk register reviews into its business and governance structures. It has also completed all but one of its Business Continuity Plans. Plans will be tested during 2009-10.

## 5. Information Assurance and Data Handling

The Forestry Commission has appointed its Director Finance as the Senior Information Risk Owner (SIRO). The SIRO chairs the Information Security Management Forum (ISMF) which co-ordinates and controls the implementation of information security across the Forestry Commission. It has met on nine occasions during the year. The work of the ISMF is supported on a day to day basis by the Departmental Security Officer (DSO) and the IT Security Officer (ITSO).

In determining our approach, the Forestry Commission has taken the view that, in comparison with other government departments, our information systems hold a relatively small number of records and that the volume of sensitive information requiring a protective marking is relatively low.

The ARC has received updates on information assurance and data handling during the year in accordance with guidance provided by the Cabinet Office. In addition, the SIRO has produced an annual assessment of risk management across the Forestry Commission. During the year, the Forestry Commission has progressed the following requirements:

- distributed the guidance publication, *Managing Information Risk*, to Accounting Officers, Chairs of Audit Committees and Board members to assist them in understanding information risk;
- published an Information Charter setting out the standards that people can expect from us when we request or hold their personal information;
- encrypted all existing laptops that connect to the network;
- produced new guidance on marking protective documents;
- established an information asset register and undertaken detailed risk assessments;
- appointed Information Asset Owners (IAOs) for corporate systems.

Despite the progress made in 2008-09, this is still work in progress and there remains a good deal more to be done. In particular, completion of the ISO/IEC 27001 project will demonstrate that the Forestry Commission has established robust information security policies and related guidance, and educated staff and third parties in information security.

Following development of the National School for Government (NSG) online training package, we are now in a position to make progress on our own training programme. We are currently assessing how to deliver the training requirements set out in the Data Handling Review and the Security Policy Framework using the NSG package as a core tool.

To aid continuous improvement, the Government has introduced the Information Assurance Maturity Model (IAMM). We are undertaking a self-assessment against the Model to include in our annual report to the Cabinet Office. The output from the assessment, in combination with the risk treatments identified from the ISO/IEC 27001 project, will provide a focus for attention in the forthcoming year.

We have a reporting system to capture all security incidents which are investigated in accordance with Cabinet Office and Information Commissioners guidance. There have been no reportable incidents of personal information data loss during the year.

## 6. Review of effectiveness

As Agency Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the executive managers within Forest Enterprise England who have responsibility for the development and maintenance of the internal control framework; the work of the internal auditors, who submit to the ARC reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the systems of internal control together with recommendations for improvement; and comments made by the external auditors in their management letters and other reports. Areas requiring particular attention during 2009-10 are as follows:

- The main risk for Forest Enterprise England is the impact of the global economic downturn on the Agency's ability to generate earned income, notably from timber sales and recreation. Any shortfall in earned income that cannot be compensated by other income would restrict our ability to deliver the 'Strategy for England's Trees, Woods and Forests'. Throughout the year management monitor out turn against budget and take the necessary actions to adjust costs and/or secure alternative funding if there are significant shortfalls in earned income.
- The Agency experienced significant volatility in its cash forecasting towards the end of 2008-09, which served to highlight certain system and procedural weaknesses in cash flow and working capital management. Action will be taken to address these issues as a high priority.
- Forest Enterprise England is reliant on Shared Services for many of its Human Resources, Information Services and Finance requirements. The governance and funding of these services, and their links to country based support functions, is under review to ensure that they can meet the needs of their customers through an annual review process.
- The Forestry Commission has found it difficult to meet the timetable for the introduction of International Financial Reporting Standards (IFRS). Despite engaging external accountancy expertise during the year, there were a significant number of matters outstanding at both the Treasury's trigger points for 2008-09. Meeting the trigger points for 2009-10, including the completion of all outstanding matters, is going to be challenging. The work will be planned and monitored more closely during 2009-10 to ensure full compliance by the due dates.

The Head of Internal Audit has prepared an annual report and assurance statement to me as Agency Chief Executive and Accounting Officer. The report include an overall assessment of the adequacy and effectiveness of risk management, control and governance within Forestry Commission England and Forest Enterprise England. The Director General, as the Forestry Commission's 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 Forest Enterprise England continues to provide substantial assurance that material risks to the achievement of objectives are adequately managed.

## 7. Significant internal control problems

There were no significant problems to report.

*S Hodgson*  
Accounting Officer  
8 July 2009

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS**

I certify that I have audited the financial statements of Forest Enterprise England for the year ended 31 March 2009 under the Government Resources and Accounts Act 2000. These comprise the Income and Expenditure Account and Statement of Total Recognised Gains and Losses, the Balance Sheet, and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

The Agency and Chief Executive, as Accounting Officer, are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000. I report to you whether, in my opinion, the information, which comprises the Management Commentary and the Financial Commentary included in the Annual Report, is consistent with the financial statements. I also report 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.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises Foreword by the Chairman, Introduction by the Director England and the unaudited part of the remuneration report. I consider the implications for my opinion if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

**Basis of audit opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, 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 also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of the Agency's affairs as at 31 March 2009 and of the net deficit, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- the information, which comprises the Management Commentary and Financial Commentary included within the Annual Report, is consistent with the financial statements.

### Opinion on Regularity

In my opinion, 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.

### Report

I have no observations to make on these financial statements.

*Amyas C E Morse*  
Comptroller and Auditor General

15 July 2009

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

**INCOME AND EXPENDITURE ACCOUNT**

for the year ended 31 March 2009

		2008-09	2007-08
	Note	£000	£000
<b>Operating Income</b>			
Sales of Timber		24,953	26,281
Forest Protection and Maintenance		592	373
Management and Development of Estate	2		
Continuing operations		8,780	9,849
Discontinued operations		-	22
		34,325	36,525
<b>Operating Expenditure</b>			
Forest Planning		2,896	3,084
Harvesting and Haulage of Timber		12,020	11,907
Forest Roads		2,891	2,913
Forest Protection and Maintenance		14,282	13,706
Management and Development of Estate	2		
Continuing operations		8,657	9,830
Discontinued operations		-	98
		40,746	41,538
<b>Operating Deficit</b>		(6,421)	(5,013)
<b>Recreation, Conservation &amp; Heritage</b>			
Income		16,412	14,734
Expenditure		31,668	30,001
		(15,256)	(15,267)
<b>Operating Deficit Net of R,C &amp; H</b>		(21,677)	(20,280)
Surplus/(deficit) on sale of properties	4	309	346
Deficit		(21,368)	(19,934)
Notional cost of capital	5	(24,031)	(19,467)
<b>Net Deficit for the Year</b>		(45,399)	(39,401)
Transferred to General Fund	13	(45,399)	(39,401)

There have been no acquisitions during the year

The notes on pages 109 to 128 form part of these accounts

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****FOR THE YEAR ENDED 31 MARCH 2009**

		<b>2008-09</b>	2007-08
	Note	<u>£000</u>	<u>£000</u>
Net deficit for the year		<b>(45,399)</b>	(39,401)
Revaluation surplus for the year	14	<b>157,159</b>	105,469
Movement in donated asset reserve	15(a)	<b>(39)</b>	389
Movement in government grant reserve	15(b)	<b>1,458</b>	3,003
Total recognised gains and losses for the financial year		<b>113,179</b>	69,460

The notes on pages 109 to 128 form part of these accounts

**BALANCE SHEET**

as at 31 March 2009

	Note	<u>2008-09</u>	<u>2007-08</u>
		£000	£000
<b>Fixed Assets</b>			
Tangible assets	6	<b>746,814</b>	591,286
Investment	7	<b>4,297</b>	4,297
<b>Debtors falling due after more than one year</b>	9	<b>9,658</b>	9,445
<b>Current Assets</b>			
Stocks	8	<b>3,857</b>	3,564
Debtors	9	<b>12,261</b>	12,566
Cash at banks and in hand	10	<b>22</b>	35
		<b>16,140</b>	16,165
<b>Creditors (amounts falling due within one year)</b>	11	<b>(9,301)</b>	(9,777)
<b>Net Current Assets</b>		<b>6,839</b>	6,388
<b>Total assets less current liabilities</b>		<b>767,608</b>	611,416
<b>Creditors (amounts falling due after more than one year)</b>	11	<b>(2,440)</b>	(2,359)
<b>Provision for Liabilities and Charges</b>	12	<b>(416)</b>	(574)
		<b>764,752</b>	608,483
<b>Capital and Reserves</b>			
General fund	13	<b>348,497</b>	350,346
Revaluation reserve	14	<b>404,154</b>	247,340
Donated Asset Reserve	15a	<b>1,507</b>	1,567
Government Grant Reserve	15b	<b>10,594</b>	9,230
		<b>764,752</b>	608,483

*S Hodgson*  
Accounting Officer  
8 July 2009

The notes on pages 109 to 128 form part of these accounts

**CASH FLOW STATEMENT**

for the year ended 31 March 2009

		<b>2008-09</b>	2007-08
	Note	<u>£000</u>	<u>£000</u>
Net cash outflow from operating activities	16a	<b>(20,136)</b>	(19,157)
Capital expenditure and financial investment	16b	<b>(880)</b>	411
Financing	16c	<b>21,003</b>	18,762
(Decrease)/Increase in cash	10	<b>(13)</b>	16

The notes on pages 109 to 128 form part of these accounts

## NOTES TO THE ACCOUNTS

### NOTE 1 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2008-09 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of Forest Enterprise England for the purpose of giving a true and fair view has been selected. Forest Enterprise England's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

#### 1.2 Capital charges

A notional charge, reflecting the cost of capital used by Forest Enterprise England, is included in the income and expenditure account. The charge is calculated at the government's standard rate of 3.5% in real terms on the average carrying amount of all assets less liabilities except for cash balances held by the Office of the Paymaster General.

#### 1.3 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. Forest Enterprise England recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, Forest Enterprise England recognises the contributions payable for the year.

#### 1.4 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, Forest Enterprise England discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of HM Treasury's Managing Public Money.

Where the time value of money is material, contingent liabilities which are required to be disclosed under FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

#### 1.5 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 'Land and Buildings Leased to Customers' at 1.9 below and 'Leases' at 1.13. below.

Until 31 March 2008, tangible fixed assets were revalued annually as at 31 March. With the agreement of HM Treasury future valuations shall be carried out on 1 April. Valuations shall use prospective indices that look ahead to the next balance sheet date and shall also be adjusted to reflect the differences between the actual changes in prices in the prior year and the earlier prediction.

### Forest Estate

Until 31 March 2008 full professional valuations were undertaken at five-yearly intervals by a panel comprising Forest Enterprise England's country land agent and two external valuers. From 1 April 2008, a firm of external valuers undertakes the professional valuations. Valuations are in accordance with the RICS Appraisal and Valuation Standards (the "Red Book") and are based on the assets' existing use. This is because the forest estate is regarded as a non-specialised asset that is occupied by its owners for the purposes of their business. The next full professional valuation took place on 1 April 2009. From 1 April 2009, accounts shall be prepared under International Accounting Standards and the Forest Estate shall be valued under the Fair Value or Fair Value less costs to sale basis as appropriate. Prospective indices provided by the valuers are used to restate values in the intervening years. Use of the indices has continued after 1 April 2008.

### Non-forest land

Professionally qualified staff employed by the Forestry Commission undertake a full revaluation of non-forest land at five-yearly intervals coinciding with that for the forest estate. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS guidance. Internal valuations, with the exception of Community Woodlands, are subject to review by external professional valuers. Indices provided by the District Valuer are used to restate values between full valuations. A full valuation took place on 1 April 2008.

### Dwellings and other buildings

Professionally qualified staff employed by the Forestry Commission undertake a full revaluation of dwellings and other buildings at five-yearly intervals coinciding with that for the forest estate and non-forest land. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS guidance. Internal valuations are subject to review by external professional valuers. Indices provided by the District Valuer are used to restate values between full valuations. A full valuation took place on 1 April 2008. The normal threshold for capitalisation of buildings is £10,000.

### Expenditure on infrastructure

To maximise the environmental, social and economic benefits of the Forest Estate and Other Land, the Commission improves and develops access and services by adding to the infrastructure on its sites. Infrastructure includes new roads, bridges, culverts etc. Costs in respect of infrastructure works are expensed as they occur. The Commission takes the view that the professional valuations of the Forest Estate and Other Land properly recognise the contribution that infrastructure items make to land values.

### Surplus properties

Fixed assets are reviewed regularly to ensure they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management. Decisions to sell such properties take into account a number of factors including the social and environmental effects as well as marketability. Surplus properties are retained in their fixed asset category and continue to be valued on the appropriate basis as set out in the preceding paragraphs. However, values may be materially affected by development factors such as the award of planning permissions. Where this occurs, assets are revalued to an Open Market Value based on advice provided by the selling agents and taking account of the circumstances of the sales. Revaluation takes place in the quarter following the development event.

### Forestry vehicles, machinery and equipment

Forestry vehicles, machinery and equipment are revalued every five years by professionally qualified staff employed by the Forestry Commission. They are restated to current value in the intervening years using valuations provided by internal professionally qualified staff for specialist forestry machinery and indices provided by the Office for National Statistics for all other assets. The normal threshold for capitalisation of assets is £3,000.

Office machinery and equipment

Office machinery and equipment 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 £2,000.

Internally generated software systems with a direct cost of £5,000 or more are recognised as a tangible fixed asset. Direct staff costs are capitalised where an individual spends at least 50% of their time on software development work. The 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.

Assets under construction

Assets under construction are carried at cost and are transferred to the appropriate fixed asset category when ready for use.

**1.6 Donations**

Donations in respect of capital expenditure are credited to a donated asset reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the Income and Expenditure account. Where the donor contributes only part of the cost of the fixed asset, only that proportion is released from the donated asset reserve.

**1.7 Government grants receivable**

Government grants in respect of capital expenditure are credited to a government grant reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the Income and Expenditure account. Where the grant contributes only part of the cost of the fixed asset, only that proportion is released from the government grant reserve. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

**1.8 Depreciation**

Land (forest estate and non-forest) held under freehold and assets under construction are not depreciated in accordance with FRS 15.

Depreciation is provided on all other tangible fixed, including donated, assets at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

Land held under a finance lease	-	unexpired term of the lease
Lease premium	-	unexpired term of the lease
Freehold buildings	-	up to 60 years
Assets held under a finance lease	-	lesser of unexpired term of lease and remaining useful economic life
Forestry vehicles, machinery and equipment	-	over 3 to 16 years
Office equipment	-	over 4 to 20 years

**1.9 Land and Buildings Leased to Customers**

Land and buildings leased to external parties under a finance lease is deemed to be sold at a commercial price and taken to the Income and Expenditure account at the inception of the lease. Debtors under finance leases represent the discounted cash value of the outstanding amounts due under the agreements. The discount rates reflect the appropriate commercial environment. Finance lease interest is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments. Assets leased to external parties under operating leases is capitalised under the appropriate accounting policy. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.



### 1.10 Subsidiaries, associates and joint ventures

Where Forest Enterprise England holds investments in subsidiaries, associates or joint ventures and does not exercise in-year budgetary control, then, in accordance with FReM 2.4, the investment is treated as a fixed asset investment.

### 1.11 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 held for continuing use are valued at cost or, where materially different, current replacement costs, and at net realisable value only when they either cannot or will not be used.

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

### 1.12 Turnover

Turnover represents income receivable from forestry and related activities and is stated net of value added tax.

### 1.13 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 inherent commercial rate in the lease or, if this is not available, 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 to expenditure over the lease term.

Where land held under a lease give the Forestry Commissioners a right to carry out forestry activities on the land, the value of timber including uncut trees, is treated as a fixed asset of the agency. These values are included in the valuation of the forest estate.

### 1.14 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.

### 1.15 Value added tax (VAT)

The Forestry Commission is registered for 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 Revenue and Customs at the year end is included in the Forestry Commission Great Britain/England accounts as a debtor or creditor in the balance sheet. Irrecoverable VAT is charged to the income and expenditure account in the year in which it is incurred.

### 1.16 Third party assets

Third party assets 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.

## 1.17 Financial Assets

### Classification

Forest Enterprise England classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. Forest Enterprise England does not trade in derivatives and does not apply hedge accounting.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade debtors and other receivables and cash and cash equivalents in the Balance sheet.

#### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets comprise investments.

### Recognition and measurement

Financial assets are recognised when Forest Enterprise England becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and Forest Enterprise England has transferred substantially all risks and rewards of ownership.

#### (a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income and expenditure account.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the operating cost statement.

#### (b) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that Forest Enterprise England will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income and Expenditure account. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Income and Expenditure account.

### (c) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the operating cost statement. Dividends on available-for-sale equity instruments are recognised in the Income and Expenditure account when the Forest Enterprise England's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Forest Enterprise England establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Forest Enterprise England assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Income and Expenditure account. Impairment losses recognised in the income and expenditure account on equity instruments are not reversed through the income and expenditure account.

### 1.18 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held by the Office of the Paymaster General and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance sheet.

### 1.19 Financial Liabilities

#### Classification

Forest Enterprise England classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

#### (a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. Forest Enterprise England does not trade in derivatives and does not apply hedge accounting.

#### (b) Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. Forest Enterprise England's other financial liabilities comprise trade creditors and other payables in the Balance sheet.

#### Recognition and measurement

Financial liabilities are recognised when Forest Enterprise England becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

#### (a) Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income and expenditure account.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the income and expenditure account.

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## NOTE 2 OPERATING DEFICIT

The operating deficit net of recreation, conservation and heritage is stated after charging:

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Depreciation of fixed assets	<b>2,203</b>	2,156
Hire of plant and equipment	<b>1,481</b>	835
Operating lease rentals:		
Land and buildings	<b>343</b>	121
Plant and machinery	<b>1,818</b>	1,656
Auditors' remuneration – audit work	<b>85</b>	70
Auditors' remuneration – non-audit work	-	-
Shared central services	<b>4,456</b>	3,722

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. Seven areas of work are identified as shared services:

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

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.

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.

Income and expenditure from management and development of the estate included in the operating deficit are:

	Income	Expenditure	2008-09 Net	2007-08 Net
	£000	£000	£000	£000
<b>Continuing operations</b>				
Estate Management	3,411	3,995	(584)	(676)
Other	5,369	4,662	707	695
	8,780	8,657	123	19
<b>Discontinued operations</b>				
Forest Holidays	-	-	-	(76)
<b>Totals</b>	8,780	8,657	123	(57)

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

Other expenditure includes agency work carried out on a full cost recovery basis, net income earned by Mechanical Engineering Services business unit and sale of Christmas trees.

### NOTE 3 STAFF COSTS AND NUMBERS

#### 3.1 Employees and costs

The average number of whole time equivalent persons employed in Forest Enterprise England during the year was 892 (954 in 2007-08). In addition, the number of whole time equivalents employed as Agency/Temporary staff was 62 (5 in 2007-08). The aggregate payroll costs were as follows:

	2008-09	2007-08
	£000	£000
Salaries	22,200	21,658
Social Security Costs	1,538	1,514
Other pension costs	3,826	3,731
Agency/temporary staff	132	116
	27,696	27,019
Less recoveries in respect of outward secondments	-	(31)
	27,696	26,988

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Forestry Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2008-09, employers' contributions of £3,781,400 were payable to the PCSPS (2007/08 £3,731,000) at one of four rates in the range 17.1% and 25.5% of pensionable pay, based on salary bands (the rates in 2007-08 were between 17.1% and 25.5%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007-08, the salary bands were revised and the rates remained the same. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £44,600 were paid to one or more of a panel of three appointed **stakeholder** pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,800, 0.8% 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.

1 individual retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £624.

---

#### NOTE 4 SALE OF PROPERTIES

	2008-09	2007-08
	£000	£000
Income	3,391	6,093
Less book value	2,726	5,365
	665	728
Less disposal costs		
External costs	100	192
Administration expenses	256	190
	356	382
Surplus/(deficit) on sale of properties	309	346

---

#### NOTE 5 NOTIONAL COST OF CAPITAL

Notional cost of capital based on 3.5% of average total assets less liabilities employed in 2008-09 amounted to £24,031,000 (£19,467,000 in 2007-08).

## NOTE 6 TANGIBLE FIXED ASSETS

	Forest Estate	Land	Dwellings and Other Buildings	VME	OME	POA & AUC	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Valuation:</b>							
At 1 April 2008	<b>487,864</b>	<b>41,693</b>	<b>63,214</b>	<b>4,744</b>	<b>265</b>	<b>6,825</b>	<b>604,605</b>
Additions	330	-	-	877	36	706	1,949
Donations/government grants	-	-	-	-	-	2,355	2,355
Transfers	-	-	4,632	(307)	-	(4,632)	(307)
Disposals	(979)	(10)	(2,389)	(188)	(60)	-	(3,626)
Write-off	-	-	-	-	-	(8)	(8)
Revaluation	96,570	58,696	867	316	-	-	156,449
Impairment	-	-	-	-	(3)	-	(3)
<b>At 31 March 2009</b>	<b>583,785</b>	<b>100,379</b>	<b>66,324</b>	<b>5,442</b>	<b>238</b>	<b>5,246</b>	<b>761,414</b>
<b>Depreciation:</b>							
At 1 April 2008	-	-	<b>9,431</b>	<b>3,773</b>	<b>115</b>	-	<b>13,319</b>
Provided during year	-	-	1,782	371	50	-	2,203
Transfers	-	-	-	(258)	-	-	(258)
Disposals	-	-	(652)	(179)	(58)	-	(889)
Revaluation	-	-	-	226	-	-	226
Impairment	-	-	-	-	(1)	-	(1)
<b>At 31 March 2009</b>	<b>-</b>	<b>-</b>	<b>10,561</b>	<b>3,933</b>	<b>106</b>	<b>-</b>	<b>14,600</b>
<b>Net book value at 31 March 2009</b>	<b>583,785</b>	<b>100,379</b>	<b>55,763</b>	<b>1,509</b>	<b>132</b>	<b>5,246</b>	<b>746,814</b>
Net book value at 1 April 2008	487,864	41,693	53,783	971	150	6,825	591,286

Bidwells Chartered Surveyors revalued the forest estate at £585,211,000 as at 1 April 2008 with further revaluations against this figure during 2008-09 reflected in the above table. The valuation was based on a sample number of properties and the results extrapolated by staff employed by the Forestry Commission. Values are determined using the Existing Use Value basis. The next full professional revaluation is due as at 1 April 2013. For 2008-09, valuations were updated using indexation information provided by Bidwells Chartered Surveyors.

As at 1 April 2008, non-forest land was valued at £86,147,000 and dwellings and other buildings at £62,730,000 by M R Thornycroft, MRICS, who is Head of Estates. This was on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost Value or Discounted Cash Flows as appropriate under RICS guidance. The next full professional revaluation is due as at 1 April 2013. For 2008-09, valuations were updated using indices provided by the District Valuer and valuations provided by the Country Land Agent.

The forest estate and other land and buildings assets comprise both freehold and leasehold assets.

As at 31 March 2009, management had taken the decision that 51 properties within the Forest Estate and Other Land were surplus to operational requirements. For marketing and other reasons these properties may not be disposed of immediately. They are included in the financial statements at a net book value of £5,377,000. These values have been determined using an Open Market Valuation basis by internal, professionally qualified staff. Prior to revaluation the net book values were £4,366,000.

Plant and machinery was valued at £971,000 as at 1 April 2008. Specialist forestry machinery was valued by professionally qualified staff employed by the Forestry Commission. All other assets were valued using indices provided by the Office for National Statistics. The next full revaluation is due at 1 April 2013. In the intervening years annual updates will be carried out based on the opinions of professionally qualified staff employed by the Forestry Commission or using indices provided by the Office for National Statistics.

Office machinery and equipment (OME) was restated to a current value of £132,000 at 31 March 2009 using an index provided by the Office for National Statistics.

Additions to assets under construction included £400,000 funded by donations, £1,679,000 funded by UK government grants and £276,000 funded by EU grants.

## NOTE 7 FIXED ASSET INVESTMENTS

The fixed asset investment represents Forest Enterprise England's share in the limited liability partnership between the Forestry Commissioners and the Camping and Caravanning Club to operate holiday facilities within the Forestry Commission's land holdings.

The investment is valued annually at 28 February on an Open Market Basis by Barrs & Co., specialist leisure consultants and valuers.

## NOTE 8 STOCKS

	2008-09	2007-08
	£000	£000
Timber	573	587
Plants and seed	2,723	2,406
Consumable materials, supplies and livestock	561	571
	<b>3,857</b>	<b>3,564</b>

## NOTE 9 DEBTORS

### 9(a) Analysis by type

	2008-09	2007-08
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade debtors	8,143	7,768
Other debtors	3	25
House purchase loans to employees	24	52
Partnership lease	408	394
Prepayments and accrued income	3,683	4,327
	<b>12,261</b>	<b>12,566</b>
<b>Amounts falling due after more than one year:</b>		
Partnership loan	3,565	3,565
Partnership lease	5,925	5,718
House purchase loans to employees	168	162
	<b>9,658</b>	<b>9,445</b>
	<b>21,919</b>	<b>22,011</b>

Forest Enterprise England had house purchase loans totalling £192,000 outstanding at 31 March 2009 relating to 20 employees.



**9(b) Intra-Government Balances**

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
Balances with other central government bodies	54	17	-	-
Balances with local authorities	267	253	-	-
Balances with public corporations and trading funds	-	2	-	-
Intra-government balances	321	272	-	-
Balances with bodies external to government	11,940	12,294	9,658	9,445
<b>Total debtors at 31 March</b>	<b>12,261</b>	<b>12,566</b>	<b>9,658</b>	<b>9,445</b>

**NOTE 10 CASH AT BANKS AND IN HAND**

	2008-09	2007-08
	£000	£000
Cash at commercial banks and in hand	22	35
	22	35

**NOTE 11 CREDITORS****11(a) Analysis by type**

	2008-09	2007-08
	£000	£000
<b>Amounts falling due within one year:</b>		
Trade creditors	4,026	5,112
Other creditors	348	122
Accruals and deferred income	4,662	4,451
Current part of finance leases	214	74
Payments received on account	51	18
	9,301	9,777
<b>Amounts falling due after more than one year:</b>		
Finance leases	2,440	2,359
	11,741	12,136

Forest Enterprise England acted as co-ordinator for the Interreg Project which was funded by the European Union and which completed in 2008-09. The purpose of the Interreg Project was the promotion and guidance of 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 2009 the amount held in Forestry Commission bank accounts on behalf of partners was £nil (£66,445 in 2007-08).

**11(b) Intra-Government Balances**

	Amounts falling due within one year		Amounts falling due after more than one year	
	2008-09	2007-08	2008-09	2007-08
	£000	£000	£000	£000
Balances with other central government bodies	4	2	-	-
Balances with local authorities	153	124	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	1	-	-
Intra-government balances	157	127	-	-
Balances with bodies external to government	9,144	9,650	2,440	2,359
<b>Total creditors at 31 March</b>	<b>9,301</b>	<b>9,777</b>	<b>2,440</b>	<b>2,359</b>

**NOTE 12 PROVISION FOR LIABILITIES AND CHARGES**

	Early Departure Costs	Public Legal Claims	Other Legal Claims	Total
	£000	£000	£000	£000
Balance at 1 April 2008	196	112	266	574
Provided in the year	8	148	123	279
Provisions not required written back	-	(64)	(112)	(176)
Provisions utilised in the year	(123)	(32)	(114)	(269)
Unwinding of discount	8	-	-	8
Balance at 31 March 2009	89	164	163	416

*Early departure costs*

Forest Enterprise England meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forest Enterprise England provides for this in full when the early retirement programme becomes binding on the agency by establishing a provision for the estimated payments.

*Public and other legal claims*

Provision has been made for various legal claims against Forest Enterprise England. The provision reflects all known claims where legal advice indicates that it is more than probable that the claim will be successful and the amount of the claim can be reliably estimated.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities. Public legal claims are those claims from the public for personal injury or damage caused to property, and other legal claims are for compensation for injury to employees.

**NOTE 13 GENERAL FUND**

	2008-09	2007-08
	£000	£000
Balance at 1 April	350,346	352,196
<b>Movement in year:</b>		
Net deficit for the year	(45,399)	(39,401)
Notional cost of capital	24,031	19,467
Cash deficit funded by Forestry Commission	18,648	15,406
Transfers of fixed assets from/to other Forestry Bodies	(50)	(9)
Transferred to general fund (realised element of revaluation reserve)	345	2,488
Timing between accrual and cash VAT	49	(125)
Non-cash inter-country transfers	527	324
	<b>(1,849)</b>	<b>(1,850)</b>
<b>Balance at 31 March</b>	<b>348,497</b>	<b>350,346</b>

**NOTE 14 REVALUATION RESERVE**

	2008-09	2007-08
	£000	£000
Balance at 1 April	247,340	144,359
<b>Arising on revaluation during the year:</b>		
Forest Estate	96,570	92,166
Land	58,696	8,600
Forest Holidays	-	1,126
Dwellings and other buildings	1,804	3,520
VME	89	57
	<b>157,159</b>	<b>105,469</b>
Transferred to general fund (realised element of revaluation reserve)	(345)	(2,488)
<b>Balance at 31 March</b>	<b>404,154</b>	<b>247,340</b>

The following realised revaluation surpluses were transferred to the General Fund:

	2008-09	2007-08
	£000	£000
Buildings	(345)	(2,488)
VME	-	-
	<b>(345)</b>	<b>(2,488)</b>

**NOTE 15 RESERVES****Note 15 (a) Donated asset reserve**

	2008-09	2007-08
	£000	£000
Balance at 1 April	1,567	1,185
Additions during the year	400	353
Revaluation	(439)	36
Release to I&E	(21)	(7)
<b>Balance at 31 March</b>	<b>1,507</b>	<b>1,567</b>

## Note 15 (b) Government grant reserve

	2008-09			2007-08
	UK	EU	Total	
	£000	£000	£000	£000
Balance at 1 April	6,737	2,493	9,230	6,228
Additions during the year	1,679	276	1,955	3,003
Revaluations	(279)	(218)	(497)	-
Release to I&E	(75)	(19)	(94)	(1)
<b>Balance at 31 March</b>	<b>8,062</b>	<b>2,532</b>	<b>10,594</b>	<b>9,230</b>

## NOTE 16 NOTES TO THE CASH FLOW STATEMENT

## 16(a) Reconciliation of net deficit to operating cash flows

	2008-09	2007-08
	£000	£000
Net deficit for the year	(45,399)	(39,401)
Notional cost of capital	24,031	19,467
Depreciation charges	2,203	2,156
Donated asset and government grant reserve released	(115)	(8)
(Profit) on sale of properties	(665)	(728)
Tangible fixed asset write-off	8	148
Impairment of tangible fixed assets	2	12
(Profit) on sale of other tangible fixed assets	(18)	(42)
Timing between accrual and cash VAT	49	(125)
Non-cash inter-country transfers	527	324
(Increase) in stocks	(293)	(197)
Decrease in debtors	87	404
less movements in debtors relating to items not passing through I&E	-	(3,172)
(Decrease) in creditors	(395)	2,299
Use of provisions	(158)	(294)
<b>Net cash outflow from operating activities</b>	<b>(20,136)</b>	<b>(19,157)</b>

## 16(b) Analysis of capital expenditure and financial investment

	2008-09	2007-08
	£000	£000
Payments to acquire tangible fixed assets	(4,311)	(5,778)
Receipts from sale of properties	3,391	6,093
Receipts from sale of other tangible fixed assets	28	92
Increase in capital creditors	7	-
Lease repayment	5	4
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(880)</b>	<b>411</b>

## 16(c) Analysis of financing

	2008-09	2007-08
	£000	£000
Deficit funded by Forestry Commission	18,648	15,406
Donations toward capital expenditure	400	353
Government grants towards capital expenditure	1,955	3,003
<b>Net financing</b>	<b>21,003</b>	<b>18,762</b>

**NOTE 17 CAPITAL COMMITMENTS**

Amounts contracted for but not provided in the accounts amounted to £471,600 (£1,793,000 for 2007-08) and relates to building works at the Grizedale Visitor Centre.

**NOTE 18 COMMITMENTS UNDER LEASES****Operating leases**

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

	<b>2008-09</b>	2007-08
	£000	£000
Land and building leases expiring within:		
One year	-	-
Two to five years	42	42
More than five years	301	80
	<b>343</b>	122
Plant and machinery leases expiring within:		
One year	494	344
Two to five years	1,314	1,312
More than five years	10	-
	<b>1,818</b>	1,656

**Finance leases**

Obligations under finance leases fall due as follows:

	<b>2008-09</b>	2007-08
	£000	£000
Rentals due in one year or less	214	74
Rentals due in more than one year but not more than two years	163	74
Rentals due in more than two years but not more than five years	223	147
Rentals due in more than five years	2,054	2,037
	<b>2,654</b>	2,332

**NOTE 19 OTHER FINANCIAL COMMITMENTS**

Forest Enterprise England has entered into non-cancellable contracts for artist fees and stage rental for the 'Forest Concert Tour 2009' at various venues throughout England of £2,306,234 (£2,059,576 for 2007-08).

**NOTE 20 CONTINGENT LIABILITIES**

There were no contingent liabilities.

**NOTE 21 POST BALANCE SHEET EVENTS**

In accordance with the requirements of FRS21, post balance sheet events are considered up to the date on which the accounts are authorised for issue. These accounts were authorised for issue on 16 July 2009.

**NOTE 22 RELATED PARTY TRANSACTIONS**

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

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

During the year, 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 Chairman of Tilhill Forestry until 30<sup>th</sup> May 2007, and Vice-President of UPM Corporation until 30<sup>th</sup> May 2007 and is a non-executive Director of BSW Timber plc. UPM Corporation is the parent company of Caledonian Paper and Tilhill Forestry Ltd. Tilhill Forestry has an interest in BSW plc.

The value of purchases from Forest Enterprise England was:

BSW Timber plc	£1,307,000
Tilhill Forestry	£2,498,000

Amounts owing to Forest Enterprise England at 31 March 2009 were:

BSW Timber plc	£201,000
Tilhill Forestry	£386,000

Simon Hodgson, Chief Executive of Forest Enterprise England, is Chair of the England Forest Industries Partnership that approved a Forestry Commission grant of £50,000 to the Confederation of Forest Industries UK Ltd.

**NOTE 23 FINANCIAL INSTRUMENTS****23.1 Investments in non-public sector bodies (Available for sale financial assets)**

	2008-09 £000	2007-08 £000
At 1 April	4,297	-
Additions	-	3,173
Net gains/losses transfer from equity	-	1,124
Net gains/losses transfer to equity	-	-
<b>At 31 March</b>	<b>4,297</b>	<b>4,297</b>

Available for sale financial assets comprises Forest Enterprise England's partnership share of Forest Holidays LLP, an unlisted investment denominated in UK pounds.

### 23.2 Financial Instruments by Category

	2008-09			2007-08		
	Loans and Receivables £000	Available-for-Sale £000	Total £000	Loans and Receivables £000	Available-for-Sale £000	Total £000
<b>Assets as per the Balance Sheet</b>						
Available-for-sale financial assets	-	4,297	<b>4,297</b>	-	4,297	<b>4,297</b>
Derivative financial instruments	-	-	-	-	-	-
Trade and other receivables (excluding prepayments)	18,236	-	<b>18,236</b>	17,684	-	<b>17,684</b>
Financial assets at fair value through profit and loss	-	-	-	-	-	-
Cash and cash equivalents	22	-	<b>22</b>	35	-	<b>35</b>
<b>Total</b>	<b>18,258</b>	<b>4,297</b>	<b>22,555</b>	<b>17,719</b>	<b>4,297</b>	<b>22,016</b>
	2008-09			2007-08		
	Liabilities at fair value through the profit and loss £000	Other financial liabilities £000	Total £000	Liabilities at fair value through the profit and loss £000	Other financial liabilities £000	Total £000
<b>Liabilities as per the Balance Sheet</b>						
Borrowings (excluding finance lease liabilities)	-	-	-	-	-	-
Finance lease liabilities	-	2,654	<b>2,654</b>	-	2,433	<b>2,433</b>
Derivative financial instruments	-	-	-	-	-	-
Trade and other payables excluding statutory liabilities	-	6,728	<b>6,728</b>	-	12,199	<b>12,199</b>
<b>Total</b>	<b>-</b>	<b>9,382</b>	<b>9,382</b>	<b>-</b>	<b>14,632</b>	<b>14,632</b>

### 23.3 Exposure to Risk

Forest Enterprise England's activities expose it to a variety of financial risks.

Credit risk – the possibility that other parties might fail to pay amounts due;

Liquidity risk – the possibility that the Forest Enterprise England might not have funds available to meet its commitments to make payments; and

Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

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.

#### a) Credit Risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Forest Enterprise England's exposure to credit risk is limited to the risk on non-payment by customers, as no deposits are held with commercial institutions.

Customers are assessed, taking into accounts their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by Forest Enterprise England.

The utilisation of credit limits is regularly monitored, and overdue payments are tracked on an individual basis. At 31 March 2009, Forest Enterprise England made provision against fourteen debts totalling £67,000 analysed as follows:-

	<b>2008-09</b>
	<b>£000</b>
Customer ceased trading or is in administration	63
Other	4
<b>Total</b>	<b>67</b>

£2,683,000 of the £8,143,000 trade debtor balance at 31 March 2009 is past its due date for payment. The past due amount can be analysed by age as follows:

	<b>2008-09</b>
	<b>£000</b>
Less than one month	890
One to two months	685
Two to three months	68
More than three months	1,040
<b>Total</b>	<b>2,683</b>

#### b) Liquidity Risk

The Forestry Commission makes provision for the use of resources by Forest Enterprise England for revenue and capital purposes each financial year. The Westminster Government makes provision for the Forestry Commission's use of resources in a Consolidated Fund Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Consolidated Fund Act. The Act also specifies an overall cash authorisation to operate for the financial year. Forest Enterprise England is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are contractual discounted cash flows. Trade and other payables excluding statutory liabilities balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>Less than 1 year £000</b>	<b>Between 1 and 2 years £000</b>	<b>Between 2 and 5 years £000</b>	<b>Over 5 years £000</b>
<b>At 31 March 2009</b>				
Borrowings (excluding finance lease liabilities)	-	-	-	-
Finance lease liabilities	214	163	223	2,054
Derivative financial instruments	-	-	-	-
Trade and other payables excluding statutory liabilities	6,728	-	-	-
<b>Total</b>	<b>6,942</b>	<b>163</b>	<b>223</b>	<b>2,054</b>
<b>At 31 March 2008</b>				
Borrowings (excluding finance lease liabilities)	-	-	-	-
Finance lease liabilities	74	74	147	2,037
Derivative financial instruments	-	-	-	-
Trade and other payables excluding statutory liabilities	12,199	-	-	-
<b>Total</b>	<b>12,273</b>	<b>74</b>	<b>147</b>	<b>2,037</b>



c) Market Risk

The Agency has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Agency in undertaking its activities.

## (i) Cash flow and fair value interest rate risk

Forest Enterprise England has no significant interest bearing assets or liabilities and as such income and expenditure cashflows are substantially independent of market interest rates.

## (ii) Foreign Currency Risk

Forest Enterprise England does not generally undertake transactions in foreign currency, therefore its exposure to foreign currency risk is minimal.

**23.4 Capital risk management**

Forest Enterprise England has no powers to borrow or invest surplus funds.

**23.5 Fair Value Estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

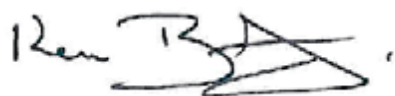
**NOTE 24 FINANCIAL PERFORMANCE MEASURES**

The financial performance measures set by the National Committee for England for 2008-09 and the actual outturns achieved were:

	<b>2008-09</b>	Target 2008/09
	£000	£000
Operating deficit	<b>45,399</b>	37,897
Cash deficit	<b>20,136</b>	18,663
Gross receipts from sale of properties	<b>3,391</b>	6,364

**ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 7 (2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000**

1. Forest Enterprise England shall prepare accounts for the year ending 31 March 2009 in compliance with the accounting principles and disclosure requirements of the edition of the *Government Financial Reporting Manual* issued by H M Treasury ("the FReM") which is in force for 2008-09.
2. The accounts shall be prepared so as to:
  - (a) Give a true and fair view of the state of affairs as at 31 March 2009 and of the income and expenditure (or, as appropriate, net resource outturn), total recognised gains and losses (or, as appropriate, recognised gains and losses), and cash flows of the agency 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.
3. Compliance with the requirements of the FReM 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 FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM 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 FReM. Any material departure from the FReM should be discussed in the first instance with the Treasury.

**Ken Beeton**

Director, Financial Management and Reporting, Her Majesty's Treasury  
18 December 2008

**SCHEDULE 1****ADDITIONAL REQUIREMENTS****Annual Report**

1. The Annual Report shall be prepared in accordance with the provisions of the *Government Financial Reporting Manual*.

**Income and Expenditure Account**

2. The income and expenditure account shall be in a form which discloses the information described below, as the recommended formats described in Schedule 4 to the Companies Act are not appropriate for Forest Enterprise:

- 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
- e. giving operating surplus/deficit net of recreation, conservation and heritage
- f. the surplus/deficit arising from the sale of properties and the notional cost of capital
- g. 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 HM Treasury.

**Notes to the Accounts**

4. The notes to the accounts shall include, inter alia, 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.

**SCHEDULE 2****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 HM Treasury.
2. Forest Enterprise is not required to provide the historical cost information described in paragraph 33(3) of Schedule 4 to the Companies Act.

**Accounting standards**

3. Forest Enterprise is not required to include a note showing historical cost profits and losses as described in FRS 3.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

**Online**

**[www.tsoshop.co.uk](http://www.tsoshop.co.uk)**

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone: 0870 240 3701

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

**TSO@Blackwell and other Accredited Agents**

**Customers can also order publications from:**

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Tel 028 9023 8451 Fax 028 9023 5401

ISBN 978-0-10-295949-9



9 780102 959499