

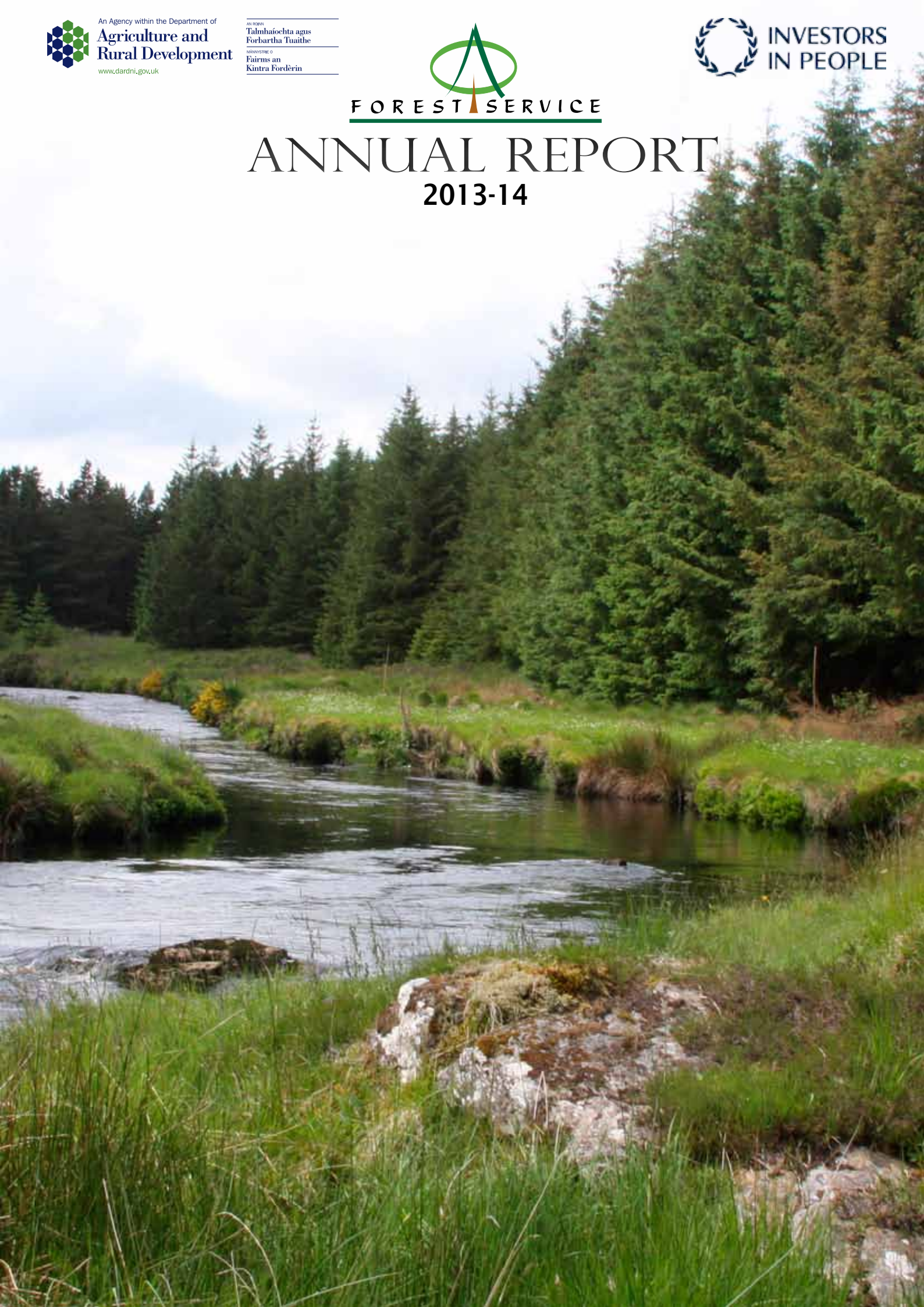


FOREST SERVICE



**INVESTORS
IN PEOPLE**

ANNUAL REPORT 2013-14



**Forest Service Annual Report and Accounts
For the year ended 31 March 2014**

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

on

2 July 2014

Should accessible formats such as large type, audio cassette or a language other than English be required, please contact the Customer Services Manager at Forest Service Headquarters and appropriate arrangements will be made as soon as possible.

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Annual Report
for the year 1 April 2013 – 31 March 2014

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Breen Forest, County Antrim

Chief Executive's Foreword



I am pleased to present the Annual Report and Accounts of the Forest Service for the year ended 31 March 2014.

We fully achieved two of the three Key Targets set by the Minister and twenty three of the twenty four supporting targets (see Strategic Report for a detailed list of key and supporting targets).

The increasing challenges we and our customers faced with the increase in tree diseases during the year, notably Ramorum or 'Japanese larch disease' caused by *Phytophthora ramorum* (*P. ramorum*), and Chalara or ash dieback caused by a fungus called *Chalara fraxinea* (*C. fraxinea*), required some reprioritisation of our initial 2013/14 business and brigading of our expertise and resources with our plant health policy and inspection colleagues in the department. We worked hard to develop and implement an all island Chalara control strategy in the early part of the year and that helped us to co-ordinate our actions with colleagues in the Republic of Ireland's Department of Agriculture, Food and the Marine and the Forest Service. Ultimately, the Minister agreed in late 2013 to transfer responsibilities for all plant and tree health matters, including crops and amenity horticulture health policy and inspection, to me. I am organising this complex functional integration as we enter 2014/15.

Nonetheless, we made satisfactory progress against our business priorities to encourage forest expansion, to produce an income from forests and protect forest environments, and to demonstrate that they are managed sustainably. We collected and analysed data on the condition and use of our forests, worked in partnership with others to deliver recreation and visitor services, and put processes in place to manage our business and deliver services to our customers in a cost-effective way. Thus, although we exceeded our target for woodland creation supported by our established grant schemes, there remains a very considerable way to go before we can be confident of achieving our long term aim of 12% forest cover.

We made slower progress than hoped for in some business areas, including stimulating the creation of new woodland by private landowners availing of our 2013/14 Forestry Challenge Scheme. We now have an understanding of the factors preventing substantive uptake at this time and shall revisit the initiative when we work our way through the opportunities in the new Rural Development Programme arising from Common Agricultural Policy (CAP) reform.

Likewise our plans to relocate Forest Service headquarters to Fermanagh were streamlined with plans to relocate other business areas of the department announced during 2013, and the target date has moved out to June 2015.

However, in other areas we made greater progress than planned; for example in ensuring a steady flow of timber to a 'hungry' processing industry supplying high demand, we exceeded our income target. Following an intense period of consultation and planning, we began to deliver a significant programme of works to improve recreational infrastructure in forests utilising funding from the Executives Economy and Jobs Initiative. I look forward to a further roll out of 'Forestry Fund' projects during 2014/15.

I secured the services of a Wind Energy Development Manager from Strategic Investment Board (SIB) Ltd in late 2013 who will work with us to take forward our plans to exploit the potential for wind energy on Forest Service land.

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

MALCOLM BEATTY
Chief Executive
23 June 2014



River Lagan from Belvoir Park Forest, Belfast

Management Board

During 2013/14 the Forest Service Management Board was expanded to reflect the appointment of a Director of Corporate Services, a Director of Plant Health Inspection and a Wind Energy Development Manager. Accordingly, from January 2014 the Board comprised of the Chief Executive, five Executive Directors and two Non-Executive Directors (NED). The Chief Executive has overall responsibility for achieving the aims, objectives and targets set out in the Business Plan with each executive director having ownership and responsibility for achieving objectives and targets within their management control.

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

Appointments to the Board as an Executive Director is automatic on joining the senior management team through internal promotion or transfer. One of the NEDs was appointed by arrangement with the core Department; the other is an SIB senior employee on loan to Forest Service. At 31 March 2014 the Board's membership was:

Chief Executive	Malcolm Beatty FICFor, CPFA
Director of Forestry	John Joe O'Boyle
Director of Plant Health Inspection	Jim Crummie
Director of Forest Management	Ian Irwin
Director of Corporate Services	Marcus McAuley, CEnv
Director of Plant Health Policy and Woodland Development and Strategies	Stuart Morwood, MICFor
Non-Executive Director	Kevin Hegarty
Non-Executive Director	Pauline Keegan

Accounts Direction

The Forest Service's Accounts for the Financial Year 31 March 2014 have been prepared in accordance with the Department of Finance and Personnel Direction under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001 in compliance with HM Treasury Government Financial Reporting Manual (*FReM*).

History and Statutory Background

The Forest Service is an Executive Agency within the Department of Agriculture and Rural Development (DARD) and is subject to the overall direction of the Minister with responsibility for the Department. The Department is responsible for promoting the interests of forestry under the Forestry Act (NI) 2010.

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

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

The operational context changed substantively when responsibility for plant health matters was transferred from the Department to the Chief Executive of Forest Service in late 2013. The Agency's role is redefined for 2014/15 and articulated in that year's Business Plan.

Aims

The aims of the Agency during 2013/14 as set out in the Framework Document were:

“to contribute to the economic development of the entire forestry sector in Northern Ireland, whilst at the same time promoting the sustainable management of forests for multiple use and conserving and enhancing the rural environment”.

Objectives

Forest Service objectives, described in published strategies and plans, give practical expression to these aims and during 2013/14 were as follows:

Operational

- to encourage forest expansion and contribute to the mitigation of climate change.
- to promote the supply of wood for industrial use and in support of renewable energy opportunities.
- to promote access to and recreational use of our forests.
- to protect and conserve forests and the associated areas of special natural and heritage interest.

Customer Service

- to pursue continuous improvement in the delivery and quality of service to the public in line with the principles set down in the Agency's Customer Charter.

Value for Money/Efficiency

- to maximise operational use and financial returns on the assets of the Forest Service estate through wood production and the development of commercial opportunities.
- to secure on-going value for money and improve efficiency and effectiveness in the management of the Agency through the application of best management practice and standards.

- to extend private sector competition and other efficiency measures in the provision of services, including, where possible, the development of public and private sector partnerships.
- to promote the involvement of private finance in forestry.

Pension Costs

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

Conflict of Interests

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

Auditors' Remuneration

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

The audit of the financial statements for 2013/14 resulted in a notional audit fee of £14,000 (2012/13 : £14,000) and is included in Other Costs – Non-Cash items in the Statement of Comprehensive Net Expenditure. The auditors did not provide any non-audit services during the year.

Disclosure of information

So far as the Chief Executive is aware, there is no relevant audit information of which the Agency's auditors are unaware. The Chief Executive has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

Security of Personal Data

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

Complaints Handling

Forest Service is committed to providing the highest possible standards of service to all its customers,

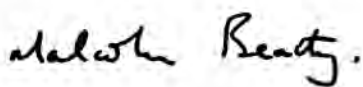
and has adopted the department's core standards of service that customers can expect to receive. Central to these is the facility for customers to lodge formal complaints if things go wrong.

DARD's Quality of Service Complaints Procedure was introduced across the Department and its Agencies on 1 June 2006. The procedures provide for complaints to be dealt with in three Steps if required. **Step 1** is for complaints received and dealt with at the point of contact. **Step 2** is for those complaints which cannot be resolved at point of contact and require further investigation by a more senior member of staff. **Step 3** is for complaints where a resolution cannot be found at either Step 1 or 2 and the case is referred to the Permanent Secretary or Agency Chief Executive for further investigation. This level of complaint will involve the setting up of a panel consisting of 3 people, one of whom must be independent of the Department, to review the case.

Leaflets and posters which explain to members of the public how to lodge a complaint with the Department are available in DARD Direct and other front facing offices. Complaints can be made in person, by letter, by fax, by e-mail, by telephone, by text phone or through the DARD website.

Information relating to number and type of complaints received across the Agency is collated every 6 months. The Department produces an annual report which is submitted to the Departmental Board, highlighting any trends in the type of complaints being made and the learning applied by Business Areas to ensure these do not re-occur.

There were no complaints relating to quality of service received by the Agency in 2013/14.



MALCOLM BEATTY
Chief Executive



Blackslee Viewpoint, Lough Navar

Management Commentary

Key Strategic Targets and Objectives

The 2013/14 Forest Service Business Plan identified a number of business priorities and performance targets that cover the full spectrum of forestry objectives and outputs.

Business priorities	Key or supporting target or milestones	2013-2014 Outturn
<p>Encourage forest expansion</p>	<p>Key target</p> <ol style="list-style-type: none"> 1. Create at least 250 hectares of new woodland. 2. Plan to incur expenditure of at least £1.951m on forestry projects. <p>Supporting targets</p> <ol style="list-style-type: none"> A. Design and operate a pilot scheme for the creation of up to 100 hectares of new woodland in addition to the key target of 250 hectares. 	<p>Target Achieved</p> <p>268 hectares approved for payment.</p> <p>Target not Achieved</p> <p>Payments of £1.629m approved for payment.</p> <p>Target Achieved</p> <p>A Forestry Challenge Scheme was implemented and an additional 22 hectares of new woodland were created.</p>
<p>Manage forests to produce an income and to protect forest environments</p>	<p>Key target</p> <ol style="list-style-type: none"> 3. Obtain income of at least £7.95m from forest resources. <p>Supporting targets</p> <ol style="list-style-type: none"> B. Maintain the annual supply of wood for industrial processing at a minimum of 400,000 m³. C. Complete the Habitat Regulations Assessments for the Lough Melvin and Foyle Special Areas of Conservation. D. Complete planning reviews for two forest areas, West Tyrone and North West planning areas. E. Share baseline information with Stakeholders. F. Cut 100 hectares of Rhododendron and laurel in high risk forests. 	<p>Target Achieved</p> <p>Receipts of £9.6m achieved.</p> <p>Target Achieved</p> <p>413,000 m³ sold.</p> <p>Target Achieved</p> <p>Habitat regulations assessments for the Lough Melvin and Foyle Special Areas of Conservation completed.</p> <p>Target Achieved</p> <p>Planning reviews carried out. Final planning day for West Tyrone agreed for early May.</p> <p>Target Achieved</p> <p>Baseline information shared with stakeholders through consultation on planning reviews.</p> <p>Target Achieved</p> <p>Over 350 hectares of rhododendron and laurel were cut in forests in the Mourne area to provide an opportunity for the forests to develop a better quality native woodland flora and remove an important host for Ramorum disease.</p>

Business priorities	Key or supporting target or milestones	2013-2014 Outturn
<p>Demonstrate that forests are managed sustainably</p>	<p>Supporting targets</p> <p>G. Maintain Sustainable Forest Management certification for our forests.</p> <p>H. Test revised approach to community engagement in North West and West Tyrone planning areas.</p> <p>I. Develop processes to enable the issuing of felling licences from 1 July 2013.</p>	<p>Target Achieved</p> <p>Surveillance visit took place in February 2014. No findings observed which would place certification at risk in this business year.</p> <p>Target Achieved</p> <p>Revised approach to community engagement tested in West Tyrone planning area including use of the internet.</p> <p>Target Achieved</p> <p>50 applications received, 38 approved, 1 exempted.</p>
<p>Collect and analyse data about the condition and use of forests</p>	<p>Supporting targets</p> <p>J. Complete the 2013/14 Measurement Programme and incorporate the results in the Annual Report.</p> <p>K. To project manage the development and integration of Forest Service GIS with DARD Corporate GIS.</p> <p>L. Continue to develop forest data management procedures to support Forest Plans.</p> <p>M. Implement requirements set out in monitoring plan for ancient woodland sites.</p> <p>N. Publish a NI Woodland Base map.</p>	<p>Target Achieved</p> <p>Data from 98 re-measured sample plots were incorporated in to the valuation process.</p> <p>Target Achieved</p> <p>Work is ongoing, in conjunction with Plant Health Inspection Branch.</p> <p>Target Achieved</p> <p>Development of data management procedures completed in respect of forest regeneration plans, PAWS surveys, and Fire and Rescue Maps. Further development in respect of forest design plans and tree safety management is ongoing.</p> <p>Target Achieved</p> <p>Over 1,000 hectares in 32 forests were surveyed. This will enable us to prioritise remedial work to protect and enhance these environmentally important woodlands.</p> <p>Target Achieved</p> <p>Data and map are available on DARD website.</p>

Business priorities	Key or supporting target or milestones	2013-2014 Outturn
<p>Seek partnership working to deliver recreation and visitor services consistent with our Recreation and Social Use Strategy</p>	<p>Supporting targets</p> <p>O. Establish management arrangements and issue draft agreements for World Police and Fire Games by 1 June 2013.</p> <p>P. Publish the application process to facilitate public use of our forests.</p> <p>Q. Have new facilities in place in at least 3 forests as a result of our partnership arrangements with Local Government.</p> <p>R. To deliver the 2013/14 milestones set out under the forestry funding scheme.</p>	<p>Target Achieved</p> <p>Management arrangements were established and draft agreements were issued prior to 1 June 2013.</p> <p>Target Achieved</p> <p>Application process on NI Direct.</p> <p>Target Achieved</p> <p>Purpose Built Mountain Bike Trails at Castlewellan, Rostrevor and Davagh have been developed.</p> <p>Target Achieved</p> <p>Milestones delivered.</p>
<p>Manage our business and deliver services to our customers in a cost-effective way</p>	<p>Supporting targets</p> <p>S. Review timber security and provide recommendations.</p> <p>T. To improve our process for capturing visitor data and occupancy rates.</p> <p>U. Reduce the Agency average annual sick absence per employee to 8.2 days.</p> <p>V. Develop, review and submit the training plan to training providers.</p> <p>W. To review records management and provide recommendations.</p>	<p>Target Achieved</p> <p>Examined technological developments in liaison with Coillte.</p> <p>Target Achieved</p> <p>Contract in place to provide improved visitor data to forest. Process in place to provide occupancy rates for camping and caravan sites.</p> <p>Target Achieved</p> <p>Average annual days sick absence per employee = 5.4 days.</p> <p>Target Achieved</p> <p>Planned training has been delivered by CAFRE and CAL.</p> <p>Target Achieved</p> <p>Review of electronic records complete and report available. A review of paper records has also been substantially progressed.</p>

Business priorities	Key or supporting target or milestones	2013-2014 Outturn
Develop plans to move Forest Service HQ to Fermanagh by summer 2014	X. To put a relocation plan in place by Dec 2013.	Target not Achieved Relocation will not now be achieved by summer 2014. A new target of relocation by June 2015 has been agreed by the DARD HQ Relocations Programme Board.
Develop plans to exploit the best opportunities for wind farm development on forestry land	Y. Put in place resources and develop plans to exploit the best opportunities for wind farm development on Forestry Land.	Target Achieved A Wind Energy Development Manager has been appointed and has begun developing plans for 2014/15.

Business Priority 1

Encourage forest expansion

Woodland Expansion

During the 2013/14 year we made Forestry Grant Scheme payments of £1.63 million to create new woodland and to maintain existing woodlands. These payments are part funded by the European Commission and were made to 1,283 landowners. At the end of the year 97% of 2013 annual premia claims had been paid and 290 hectares of new woodland had been created, on predominantly agricultural land. Typically about 2.5 hectares of new woodland was planted by each landowner and in line with previous years applicants favoured planting broadleaved woodlands (87%) of which (52%) were new native woodland. The actual proportion of area of new native woodland was, as in 2012/13, lower than previous years because ash continued to be unavailable due to measures taken in response to Chalara ash dieback disease first discovered in 2012/13.

To highlight Forest Service support to create new woodlands we attended a number of local events throughout the year and also the Balmoral Show which in 2013 moved to a new showground at Balmoral Park. Our stand was designed to promote the benefits woodland has for everyone and we gave away 3,000 native trees to visitors. Successful applications for 595 hectares of new woodland were approved during the year.

Successful applications were predominantly approved under the Woodland Grant Scheme and we also designed and operated a pilot scheme called the Forestry Challenge Scheme. The Challenge Scheme was developed in response to stakeholders view that the flat rate support available for the general Woodland Grant Scheme is set at too low a level to attract large scale afforestation projects. Forest Service made provision for up to 100 hectares of new woodland to be planted through this scheme and designed it to support the creation of woodlands of 5 hectares and larger. This was to provide for woodland design on landscape scale considerations, with associated economic, environmental and social benefits. Following the pilot scheme we plan to learn more about the interest of farmers and landowners in planting larger woodlands and obtain some realistic costs associated with planting larger woodlands. We received 7 expressions of interest, 4 applications and a panel approved 3 applications which contributed 21.7 hectares of new planting during 2013/14. Uptake of the Forestry Challenge Scheme was less than anticipated and we did not achieve 100 hectares. We will review the scheme against our aims to learn from what was achieved and to investigate why uptake was lower than expected. Forestry agents have told us that the scheme requirement for agreement holders to finance all operations and submit bank statements and invoices to support claims for payment was a major barrier to potential applicants.

2013/14 was the final year of the 2007 – 2013 Rural Development Programme and it was necessary to close the Forestry Grant Scheme to new applicants in November 2013. During the Programme over 2,000 hectares of new woodland were created through the Forestry Grant Scheme and almost £11 million of support was provided to forestry projects. Despite this increase, the rate of new planting remains significantly below the amount that is needed to achieve our long term policy aim of 12% woodland and forest cover by the middle of this century.

Plant Health

Forest Service has responsibility for the implementation of the Plant Health (Wood and Bark) Order (NI) 2006 to prevent the introduction into and spread within Northern Ireland of serious

pests and diseases of plants and plant products. The Department's Veterinary Service has a Portal Operations team based at strategic import points including ports and airports. This team monitor and inspect imports to support the implementation of the Wood and Bark Order. Following checks to ensure that import conditions had been met 524 Certificates of Inspection and Clearance for timber imports were issued this year. In April 2013 a European Commission Implementing Decision to protect the EU from Asian Longhorn Beetle being imported from China in wood packaging material was introduced. In response to this we implemented new physical inspections on this material and issued 392 clearance certificates. We also issued 2 detention notices on consignments where conditions had not been met.

Felling licences

Felling licences were introduced to Northern Ireland on 17 June 2013 to help protect our limited woodland resource and to promote good practice in woodland management through the preparation of a woodland management plan. This was a requirement of the Forestry Act (Northern Ireland) 2010; felling is regulated by the Forest Service on behalf of the Department of Agriculture & Rural Development (DARD). Transitional arrangements were put in place to avoid interruptions to timber sales which had either been agreed prior to the 17 June or where harvesting operations were in progress.

A total of 45 applications were received, mostly from forestry agents on behalf of woodland owners. The area covered by these applications was 1,537 hectares, of which the area of thinning, selective felling and clearfell amounted to 53%, 30% and 17% respectively. The Northern Ireland Environment Agency (NIEA) was consulted on 11 of these applications because of the proximity of the proposed felling to an Area of Special Scientific Interest (ASSI). Re-establishment after clearfell consisted almost entirely of replanting except for approximately 3 hectares close to a small lake where natural regeneration of native tree species was the preferred option.



Other Forestry Regulation

We provided opinions on 35 projects in respect of the Environmental Impact Assessment (Forestry) Regulations (Northern Ireland) 2006. A total of 32 related to afforestation projects with two forest road works projects and one deforestation project. Four of the projects were relevant projects, because they were considered likely to have a significant impact on the environment due to their prominence on the landscape or impacts on a high biodiversity grassland habitat or breeding waders.

To comply with the Conservation (Natural Habitats, etc) Regulations (Northern Ireland) 1995 as amended, a total of 19 Habitats Regulations Assessments were also completed for operations which were planned in or close to Special Areas of Conservation (SACs) or Special Protection Areas (SPAs). To comply with the Environment (Northern Ireland) Order 2002, we applied for assent to NIEA for forestry operations within Forest Service forests scheduled to take place within or close to an Area of Special Scientific Interest (ASSI). A total of 21 applications for assent were obtained from NIEA where operations were being carried out on non Forest Service land resulting from an approved felling licence or as a result of a forestry grant.

Partnership for Action against Wildlife Crime

Forest Service participated in drafting a deer poaching leaflet which was launched by the Northern Ireland Branch of the Partnership for Action against Wildlife Crime (PAW NI). The purpose of the leaflet was to highlight the illegal nature of deer poaching, the associated welfare issues and on ways the public could help if they suspected poaching was taking place.

Business Priority 2

Manage forests to produce an income and to protect forest environments

Timber production supports development of the Northern Ireland economy and remains an important objective of forest policy.

We earned £8.2 million from the sale of 412,000 m³ of timber to our customers. We continued to realise 11,000 m³ of timber from thinning operations carried out to improve, stabilise and regenerate forest stands in areas where recreation and environment are important.

Construction grade timber accounted for just over 40% of the sawn timber output from the sawmilling sector in Northern Ireland. The remaining 60% was sold into fencing, pallet and packaging markets. Timber processing produces significant quantities of wood chip, saw dust and bark. 75% of these co-products were combusted to produce heat and electricity and in the production of wood pellets for use in domestic heating and commercial applications.

We replanted over 910 hectares of forest, mainly after timber harvesting, but also to restore forests damaged by tree disease and fire. This included 94 hectares destroyed by fire in 2011.

We are aware that timber harvesting can have significant impacts on local landscapes and also has potential to cause environmental damage. We are continuing to examine opportunities to manage more of our forest areas without felling all the mature trees at the same time (clearfelling). This year we hosted the Forestry Commission Working group on Continuous Cover forestry during a field day in Florencecourt forest. We used this field day to increase our technical staff's knowledge of Low Impact Silvicultural Systems and management planning considerations where continuous thinning of individual trees replaces clearfelling whole areas of forest.

Protecting the forest environment from potential damage that could result from forest operations and recreational use requires good planning. All our forests have Forest Management Plans which provide an appropriate balance between our economic, environmental and social objectives. This is achieved by monitoring the structure and use of forests and planning investments and interventions such as tree felling. During the year we reviewed our plans for over 18,842 hectares of forest in the West Tyrone and North West Forest Planning Units.

Good forest planning and environmental protection requires the mutual sharing of information with stakeholders. This year Forest Service and the NI Fire and Rescue Service made improvements to our joint emergency planning for response to forest fires through technical advances in the shared use of Geographical Information Systems identifying forest areas at risk including areas designated as being important for biodiversity. We have continued to share information with NIEA colleagues to achieve good outcomes for protected habitats and species and they have identified a further 679 hectares of our forest as worthy of Area of Special Scientific Interest (ASSI) status. Input from DCAL Inland Fisheries, Rivers Agency and NIEA helped identify the 'stepping stones' in the Shimna River at Tollymore Forest Park as an impediment to salmon and trout migrations. These stepping stones will now be removed.

In addition to statutory bodies we have also received environmental information and intelligence from many non government organisations, voluntary groups and individuals. We value this input and welcome the wider ownership of the forest environment that it represents.

Continuing with our programme of improving the quality of forests, we cut a further 350 hectares of *Rhododendron ponticum*, which is a non-native invasive species and is an important host for Ramorum disease. Over time, we expect these forests to develop a better quality native woodland flora.

Just over a quarter of our forest area has key designations under European and national legislation for nature protection. We completed Habitat Regulations Assessments for the Lough Melvin, and River Foyle and Tributaries Special Areas of Conservation covering an area of 8,622 hectares.



Lough Melvin, Co. Fermanagh

Business Priority 3

Demonstrate that forests are managed sustainably

We demonstrate that our forests are managed sustainably by having our forest management, operations and practices certified against an agreed standard. The standard we use is the UK Woodland Assurance Standard (UKWAS).

The UKWAS is designed to provide a common standard for use within forest certification programmes operating in the UK. The participation of a wide range of stakeholders in developing this standard has ensured it encompasses economic, environmental and social interests and has further ensured its widespread acceptance. The UKWAS sets out the requirements which we must meet in order to obtain certification and it provides guidance on how to fulfil these requirements. It has been fully endorsed by the ¹Forest Stewardship Council® (FSC®) and UKWAS certification may be conducted by certifying bodies in possession of FSC accreditation.

Soil Association Certification Limited currently provides the independent verification that environmental, social and economic standards have been met in our forests. This organisation conducted a reassessment audit of forest management in April 2010 and Forest Service retained its certified status. This certified status, which is subject to annual surveillance visits to ensure that high standards are maintained, lasts for 5 years. The annual surveillance inspection by the Soil Association in March 2014 confirmed that our forest management practice remains compliant with the UK Woodland Assurance Standard and relevant legislation.

During the year we implemented a revised process of community engagement on forestry planning and activity surrounding the review of forest management plans. We continue to seek to make this process as inclusive as possible and have included information on upcoming planning reviews and their outcome on our website. Consultees were particularly interested in accessibility, water quality, restructuring following felling of crops and opportunities for open habitat restoration.

Business Priority 4

Collect and analyse data about the condition and use of forests

During the year we commissioned work that will establish a baseline of visits to 10 of our forests and of the quality of the visitor's experience. We intend this to be an ongoing process and it represents an important aid to future investment and partnership working arrangements. Work on this project will commence during Easter 2014.

At Castlewellan Forest Park, work to restore the Annesley Garden glasshouses was completed in September 2013. We worked closely with colleagues in NIEA and DFP to ensure that the condition of the glasshouses following works was in line with our statutory obligations for the preservation of historic buildings.

Arboricultural works were carried out to tree specimens in Castlewellan National Arboretum, including some that were totally destroyed by the heavy snowfalls of late March 2013 and several Cypress killed by *Phytophthora lateralis* disease.

Heavy overnight snowstorms in the third week of March affected many upland areas across eastern areas of Northern Ireland resulting in widespread blockage of public roads, farm access lanes, heavy loss of hill livestock and severe damage to hedgerows and trees. Glenariff Forest Park was particularly hard hit with snow drifts up to 3 metres deep covering the core recreation areas around the car park, visitor centre café and toilet buildings.



Heavy snow at Glenariff

Glenariff Waterfalls Walk and the associated Rainbow Trail were severely damaged due to a combination of tree falls, broken branches and land slippage along the steep sided river gully. Most of the trails were cleared by May although the severity of damage and challenging terrain along the Waterfall Walk required an extensive period of closure in the interests of public safety.



Repaired viewing platform at Waterfalls Walk

An extensive programme of rebuilding and repair works of the board walks, steps and viewing platform was completed towards the end of the financial year and the Waterfall Walk re-opened for public enjoyment. This work included improvements to enhance public safety with new non slip material laid on wooden board walk surfaces and the nose edging of steps.

We continued to develop the capability and use of our GIS system to capture the location and key information associated with many of the specimens within the walled garden section of Castlewellan arboretum.

We also used our GIS to conduct surveys within our ancient woodland sites. These surveys recorded the important features and characteristics of the sites and also identified the presence of threats to biodiversity such as excessive shading or the spread of invasive species such as cherry laurel or rhododendron. All in all, 32 forests covering over 1,000 hectares were surveyed. This work has enabled us to prioritise remedial work to protect and enhance these important woodlands.

Business Priority 5

Seek partnership working to deliver recreation and visitor services consistent with our Recreation and Social Use Strategy

Our work to promote the social use of forests increasingly depends on the development of effective partnership arrangements.

Memoranda of Understanding (MoUs) which define the overarching principles under which Forest Service and Councils will work together to develop recreational facilities in forests in Council areas are now in place covering some 60% of Forest Service land.

We were delighted that this partnership working approach with Newry & Mourne, Down and Cookstown Councils resulted in 3 purpose built Mountain Bike Trails, comprising over 100 kms of mountain bike trails being officially opened at Castlewellan, Rostrevor and Davagh forests during the business year. These trails have become significant visitor attractions and have greatly raised the profile of the Mourne and mid Ulster areas and established these locations as world class mountain biking destinations. Furthermore we completed arrangements with the National Trust to facilitate a multi-purpose trails network at Castleward Forest.

Through our partnership arrangements with Fermanagh District Council, work on upgrading walking trails in the Slieve Beagh area of East Fermanagh was completed with further work ongoing to improve access to a number of fishing lakes in forests in the area.



Davagh Mountain Bike Trails

Last financial year we reported on the Executive's decision to allocate £4 million to forestry tourism projects under the Economy and Jobs Initiative. Forest Service designated this money as a 'Forestry Fund' and implementing recreation infrastructure improvements in forests and developing further partnerships associated with these has been a key focus for our work during this year.

In considering how best to spend this money, we wrote to all Councils and the National Trust to take their views on forest based recreation and what further investment should take place. The significance of local forests was widely recognised by these stakeholders and we received proposals that represented expenditure estimated at £14 million.

Further consideration of individual proposals with stakeholders and the Northern Ireland Tourist Board established a priority list of work at a strategically important level. The Forestry Fund has also enabled a funding stream to non government organisations (NGO) through the NIEA administered Challenge Fund. This Challenge Fund provided the opportunity for NGOs to submit proposals for recreation improvements at a more local level.



As at 31 March 2014, £1.5 million of the fund had been spent with the remainder fully committed to year end 31 March 2015. The Forestry Fund is providing a variety of new capital works including iconic sculptures, adventure play parks, new visitor centres as well as the development and enhancement of well established forest related recreational products such as access and amenities at some of NI's best known scenic locations.

Killeter, Co. Tyrone - Partnership Project

Outside of the Forestry Fund works, we continued to maintain recreation infrastructure across all our sites. This included work at Portglenone Forest where we revised the way-marked trail layout and resurfaced paths. Work was also carried out within the Augustine Henry Grove - a memorial area to this historically important individual containing some of the plants he introduced from China. A new walking trail map and forest information panels were well received by visitors to this forest.

Walking trails within Randalstown Forest were revised and new way-markers and a new map board with forest information panels were provided.

We were particularly delighted to receive the 2013 RDS Community Woodlands Special Merit Award for Learmount Forest along with our partners, Derry City Council and Learmount Community Development Association. The RDS judges were particularly impressed by our partnership approach and the energy harnessed by our partners in developing this facility on the outskirts of Park village that is now an integral part of the lives of this community.

Several major sporting, agricultural and filming events were facilitated under Licence at Forest Parks and other woodlands during summer/autumn 2013 including: World Police and Fire Games; Queen's University Rowing Regatta; Castlewellan & District Agricultural Show; Armagh Agricultural Show; Down Car rally and Carn Wheelers MTB race.

World Police and Fire Games

One of the NI Executive's Programme for Government commitments for 2011-15 was to host the World Police and Fire Games in the north of Ireland. These games are the largest games in the world after the Olympics and the Commonwealth Games. The Games took place between the 1 – 10 August 2013, and Forest Service were pleased to facilitate the archery, mountain running, orienteering and canoe sprinting events at Hydebank Wood, Donard Forest, and Tollymore and Castlewellan Forest Parks respectively.



*World Police & Fire Games
at Rostrevor Forest*

Forests in Film

Our Forest Parks are recognised areas of natural beauty and demand for use of forest locations continues to grow, none more so than interest by international film companies. Over the last few years we have facilitated filming at Gosford and Belvoir and more recently Tollymore for the very popular TV series 'Game of Thrones'.

Last year we were again delighted to facilitate filming at Tollymore for the American drama horror 'Dracula Year Zero' and the Swedish naturalistic film 'Miss Julie' at Florencecourt starring Irish actor Colin Farrell.

Business Priority 6

Manage our business and deliver services to our customers in a cost effective way.

Forest Service Headquarters Relocation

Following the Minister's announcement in May 2013 of two further relocation projects with regard to Rivers Agency and Fisheries Division, governance and management responsibility for the Forest Service Relocation Project was incorporated within a broader HQ Relocations Programme.

The Department's Estate Management Strategy is pointing to Enniskillen as the preferred location for Forest Service headquarters. We therefore commissioned a report on the feasibility of accommodating staff by refurbishing Inishkeen House at Killyhevlin. This would locate Forest Service with the existing DARD Direct service there.

Not all Forest Service posts are headquarters based and it is not the intention to move regionally based field staff. This would be counter intuitive to ensuring good stewardship of forests in all counties as well as those in Fermanagh. Posts that shall relocate include the Chief Executive and senior management team along with a range of technical and administrative posts that support the range of headquarters functions. A small number of additional posts associated with plant health policy also joined Forest Service in early 2014 and will be headquarters based.

We have sought information on the preferences of staff that currently work at Stormont and will use that information to develop a staff transition plan. The Minister has indicated that she does not expect that anyone will be required to move if it does not suit and we are developing strategy to deal with this.

All of this work is pointing to a timeline that will see Forest Service headquarters substantively established in Fermanagh by June 2015, subject, of course, to business case approval.

Estimate financial risk of forestry grants scheme

We completed a review of the financial risk of the Forestry Grant Schemes and are implementing several recommendations to improve governance and control so that we have better assurance that our administration is compliant with EU legislation and good practice.

Managing the Business

We were pleased that our absence management performance continued to improve in line with the Executive's targets for the Civil Service.

We appointed a Director of Corporate Services in April 2013 and a Director of Plant Health Inspection in January 2014. We also recruited a new Accountant who subsequently filled 3 vacancies in his team. A Wind Energy Development Manager was appointed on loan from SIB Ltd in January 2014. Following an extended period when no recruitment was possible, we were pleased that we were able to recruit 3 qualified Forest Officer staff during 2013.

We welcome the scrutiny of our work provided by the Assembly and members of the public, as this gives the opportunity to explain policy and delivery. During the year there were 29 Assembly Questions and 4 appearances before the Agriculture and Rural Development Committee. Interest focused on tree diseases, bye laws, financial matters, the Castlewellan Arboretum, wind farms

on forestry land, mountain bike trails, shooting rights, wild deer, and HQ relocation.

We developed and delivered a training plan covering management, administrative, technical and industrial training needs. Furthermore, we substantially reviewed our corporate records management process and shall implement review recommendations covering electronic and paper records during 2014/15.



Castlewellan Forest Park, Arboretum

Corporate Governance

The Agency operates a system of internal control to provide reasonable assurance of the effectiveness of corporate governance arrangements and to meet the requirements of the Department of Finance and Personnel.

The Agency's Governance Statement is given on pages 40 - 44.

Business Continuity

We maintained our liaison with the Northern Ireland Fire and Rescue Service and DARD's Veterinary Service, as set out in Memorandums of Understanding, which ensure co-operation and integration with these organisations, as well as clarifying roles and responsibilities in relation to response to emergency incidents. This feeds into emergency and contingency planning arrangements co-ordinated at DARD level.

We also maintained and reviewed our contingency plans for maintaining services from our various sites, including arrangements for temporary relocation, in the event of an emergency situation arising.

Human Resource Development

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

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

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

- We are committed to ensuring that our staff have the necessary competencies to achieve business objectives;
- We encourage staff to pursue their personal development and communicate all opportunities available to them;

- We are committed to achieving business excellence through continuous improvement and to maintaining the Investors In People standard;
- We develop staff, consistent with the Agency's policies on equal opportunities and health and safety and other relevant legislation; and
- We commit resources to fulfil the training and development aims.

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

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

Health and safety management continues to be a priority for our staff. We implement procedures for our staff and for all others who may work in or visit our forests. We continue to adhere to all existing health & safety legislation and constantly raise awareness and keep arrangements under review.

Sustainability

Sustainability continues to be an underpinning principle of the Executive's Programme for Government 2011-15. Forest Service contributes to the strategic objective to 'Promote Sustainable Land Management' in the DARD Sustainable Development Implementation Plan. Further information in this regard is included above in the context of our Business Priorities.

Key actions in 2013/14 included:

- Seeking to maintain high plant health status to protect our agricultural, horticultural and forest industries as well as the wider environment remains a priority. Significant resource has been deployed during 2013/14 in tackling Chalara dieback of ash trees, and Ramorum disease affecting Japanese larch trees and other common tree and shrub species. Our response included measures to contain the diseases, the launch of a DARD/DAFM All-Ireland Chalara Control Strategy, meetings with stakeholders to make them aware and capable of taking action in response to plant health threats, continuing to work closely with the industry to monitor and check imports and maintain a high level of intelligence about pest threats among both technical, administrative and research communities. During the year responsibility for all plant health matters in DARD was allocated to the Forest Service Chief Executive Officer and a project was put in place to move both plant health implementation and policy to Forest Service by the end of the year.

- Continued delivery of the Woodland Grant Scheme which supported the creation of 268 hectares of new woodland and obtained an income of £9.64 million from forest resources, mostly arising from the sale of timber certified as coming from Forest Service's sustainably managed forests.

Information Systems and Development

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

www.nidirect.gov.uk/forests

Other Forest Service business information is accessible at:

www.dardni.gov.uk/forestry

Financial Performance

Resource Accounting and Budgeting

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

Net Operating Cost of the forestry programme for 2013/2014

The Statement of Comprehensive Net Expenditure shows the net cost of the Agency's operations on a full resource basis. The net resource cost of the forestry programme for 2013/14 was £18.252m (2012/13 was a surplus of £8.654m).

The movement of £26.906m for 2013/14 is mainly due to the downward revaluation of timber debited to the Statement of Comprehensive Net Expenditure of £13.346m (2012/13: £11.689m credit). A detailed explanation for the movement in the timber valuation is provided at Note 11 to the annual accounts.

Maintain expenditure within resource limits and to approved budgets

We managed our finances within the final budget set by the Department. We were required by the Department to contain our Departmental Running Costs (DRC) to £8.002m. Through a combination of careful planning and close monitoring of DRC, expenditure was constrained to £7.756m.

Category	2013-2014	
	Budget	Expenditure
	£'000	£'000
Salaries & Wages	7,211	6,986
General Admin Expenses ¹	791	770
TOTAL	8,002	7,756

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

Non-Current Assets

Details of the movement of non-current assets are set out in Notes 7 - 11 of the Accounts.

Payment to Suppliers

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. During the year, 97.38% of bills were paid within this Standard (2012/13: 97.26%).

From 1 December 2008, the Agency has operated a policy of seeking to pay for goods and services within 10 days. This is in accordance with the Supporting Businesses: Prompt Payment of Invoices initiative within the Northern Ireland Civil Service. During the year, 89.32% of bills were paid within the 10 day target (2012/13: 89.20%).

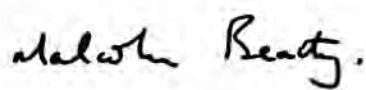
The Late Payment of Commercial Debts (Interest) Act 1998, which came into effect from 1 October 1998, enables suppliers to charge interest on overdue debts. The Agency made no payments during the year in respect of such claims.

Political and Charitable Donations

We made no political or charitable donations during the year.

Absenteeism Target

The Ministerial set target for Forest Service was an average of 8.2 days. Forest Service achieved an average of 5.4 days.



MALCOLM BEATTY
Chief Executive

Table 1**FOREST SERVICE STATISTICAL SUMMARY 2013/2014**

	Units	2012-13	2013-14
Total area managed	Hectares	75,300	75,279
Forested area	Hectares	61,618	61,775
Acquisition Programme	Hectares	0	0
Disposal Programme	Hectares	0	0
Timber Production - roadside	Cubic metres	58,000	53,061
- standing	Cubic metres	365,000	372,134
New Planting	Hectares	0	0
Replanting	Hectares	1,050	1,065
Fire Damage	Hectares	7	2
Paying visitors to charged recreation areas	Thousands	282	310
Caravan/camping long stay sites(nights)	Thousands	58	54
Average staff numbers: - industrial	Full time equivalent persons	121	115
- non-industrial	Full time equivalent persons	89	88

Table 2**RECORD OF HARVESTING: April 2013 - March 2014**

DISTRICT	STANDING VOLUME (m ³)	ROADSIDE VOLUME (m ³)	TOTAL (m ³)
EAST	102,618	25,148	127,766
WEST	269,516	27,913	297,429
TOTAL	372,134	53,061	425,195

Note : All figures represent volume dispatched from forests

Table 3

BREAKDOWN OF SALES : Agreed for April 2013 - March 2014
Volumes to 7cm Top Diameter Over Bark (TDOB) to nearest m³, areas in hectares

DISTRICT	VOLUME BY SPECIES			THINNINGS			CLEARFELL			MISC. FELLING	TOTAL VOLUME
	Spruce	Other Conifers	Hard-woods	Area	Volume	Vol. Per hectare	Area	Volume	Vol. Per hectare		
STANDING SALES											
EAST	59,741	25,397	0	0	0	0	224	85,138	380	0	85,138
WEST	248,507	14,154	0	0	0	0	580	262,661	453	0	262,661
TOTAL	308,248	39,551	0	0	0	0	804	347,799	433	0	347,799
ROADSIDE SALES											
EAST	12,000	24,430	0	131	3,681	28	123	32,749	266	0	36,430
WEST	26,622	1,627	290	99	7,359	74	55	21,180	385	0	28,539
TOTAL	38,622	26,057	290	230	11,040	48	178	53,929	303	0	64,969
ALL SALES											
GRAND TOTAL	346,870	65,608	290	230	11,040	48	982	401,728	409	0	412,768

Table 4

AVERAGE PRICES FOR CONIFEROUS TIMBER SOLD AT ROADSIDE

Average Volumes Per Tree in m ³ over bark	(a) 1 April 2012 to 31 March 2013		
	(b) 1 April 2013 to 31 March 2014		
	Volume m ³	Total Price (Excl VAT) £	Average Price £/m ³
Less than 0.075	(a) 0	0	0
	(b) 0	0	0
0.075 - 0.124	(a) 0	0	0
	(b) 1,929	38,119	19.76
0.125 - 0.174	(a) 1,340	31,459	23.48
	(b) 8,429	191,896	22.77
0.175 - 0.224	(a) 1,309	31,822	24.31
	(b) 2,608	60,252	23.10
0.225 - 0.274	(a) 5,901	151,374	25.65
	(b) 5,942	145,255	24.45
0.275 - 0.424	(a) 10,376	270,870	26.11
	(b) 12,726	304,333	23.91
0.425 - 0.499	(a) 1,064	28,968	27.23
	(b) 5,582	152,637	27.34
0.500 - 0.599	(a) 43	1,919	44.63
	(b) 7,603	226,632	29.81
0.600 - 0.699	(a) 17,770	533,444	30.02
	(b) 15,787	482,384	30.56
0.700 - 0.799	(a) 352	10,173	28.90
	(b) 1,261	37,040	29.37
0.800 - 0.899	(a) 3,644	97,872	26.86
	(b) 2,024	57,100	28.21
0.900 - 0.999	(a) 0	0	0
	(b) 0	0	0
1.000 and over	(a) 2,577	71,869	27.89
	(b) 2,621	87,613	33.43
TOTAL	(a) 44,376	1,229,770	27.71
	(b) 66,512	1,783,261	26.81

Table 5

AVERAGE PRICES FOR CONIFEROUS TIMBER SOLD AT STANDING

Average Volumes Per Tree in m ³ over bark	(a) 1 April 2012 to 31 March 2013		
	(b) 1 April 2013 to 31 March 2014		
	Volume m ³	Total Price (Excl VAT) £	Average Price £/m ³
Less than 0.075	(a) 0	0	0
	(b) 0	0	0
0.075 - 0.124	(a) 0	0	0
	(b) 0	0	0
0.125 - 0.174	(a) 0	0	0
	(b) 0	0	0
0.175 - 0.224	(a) 5,544	64,371	0
	(b) 7,432	73,027	9.83
0.225 - 0.274	(a) 5,822	73,142	12.56
	(b) 13,003	159,033	12.23
0.275 - 0.424	(a) 192,768	3,180,538	16.50
	(b) 116,136	1,929,402	16.61
0.425 - 0.499	(a) 59,165	1,130,789	19.11
	(b) 70,105	1,291,266	18.42
0.500 - 0.599	(a) 44,935	864,856	19.25
	(b) 92,106	1,833,407	19.91
0.600 - 0.699	(a) 38,222	819,206	21.43
	(b) 23,650	544,938	23.04
0.700 - 0.799	(a) 22,972	524,936	22.85
	(b) 24,043	546,365	22.72
0.800 - 0.899	(a) 148	3,306	22.34
	(b) 0	0	0
0.900 - 0.999	(a) 0	0	0
	(b) 12,226	270,714	22.14
1.000 and over	(a) 9,915	289,628	29.21
	(b) 0	0	0
TOTAL	(a) 379,491	6,950,772	18.32
	(b) 358,701	6,648,152	18.53



Wild Garlic at Portglenone Forest, County Antrim

Remuneration Report

Remuneration Policy

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

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

Service Contracts

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

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

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org

Salary and Pension Entitlements

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

Remuneration (including salary) and pension entitlements [Audited]

Officials

	2013-2014					2012-2013				
	Salary £000's	Bonus Payments £'000	Benefits in kind (to nearest £100)	*Pension benefits (to nearest £1000)	Total £000's	Salary £000's	Bonus Payments £'000	Benefits in kind (to nearest £100)	*Pension benefits (to nearest £1000)	Total £000's
Mr M Beatty (Chief Executive)	70-75	0	0	10,000	80-85	70-75	0	0	9,000	75-80
Mr JJ O'Boyle (Director of Forestry)	60-65	0	0	13,000	75-80	60-65	0	0	49,000	110-115
**Mr J Crummie (Director of Plant Health Inspection from 19 February 2014)	5-10 (45-50 Full year equivalent)	0	0	**4,000	**5-10	N/A	N/A	N/A	N/A	N/A
Mr I Irwin (Director of Forest Management)	50-55	0	0	7,000	55-60	50-55	0	0	12,000	60-65
Mr M McAuley (Director of Corporate Services from 22 April 2013)	50-55	0	0	6,000	55-60	N/A	N/A	N/A	N/A	N/A
Mr S Morwood (Director of Plant Health Policy and Woodland Development & Strategies)	50-55	0	0	5,000	55-60	50-55	0	0	8,000	55-60

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

**The Guaranteed Minimum Payment (GMP) rate has not been applied to this individual as the information was not available.

Salary

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

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the years in which they become payable to the individual. The bonuses reported in 2013/14 relate to performance in 2013/14 and the comparative bonuses reported for 2012/13 relate to the performance in 2012/13.

Pay multiples

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

The banded remuneration of the highest-paid director in Forest Service in the financial year 2013/14 was £70-75k (2012/13: £70-75k). This was 2.85 times (2012/13: 2.98 times) the median remuneration of the workforce, which was £25,422 (2012/13: £24,359).

	2013-2014		2012-2013
Band of highest paid Directors total remuneration	£70-75k	Band of highest paid Directors total remuneration	£70-75k
Median total remuneration	£25,422	Median total remuneration	£24,359
Ratio	2.85	Ratio	2.98

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

Non-Executive Directors (NED)

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

Pension Entitlements [Audited]

Officials

	Accrued pension at pension age as at 31/3/14 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/14 £'000	CETV at 31/3/13 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account nearest £100
Mr M Beatty (Chief Executive)	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 0-2.5	733	678	10	0
Mr JJ O'Boyle (Director of Forestry)	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 0-2.5	508	466	11	0
Mr J Crummie (Director of Plant Health Inspection from 19 February 2014)	10-15 plus lump sum of 40-45	0-2.5 plus lump sum of 0-2.5	307	301	4	0
Mr I Irwin (Director of Forest Management)	15-20 plus lump sum of 50-55	0-2.5 plus lump sum of 0-2.5	270	248	4	0
Mr M McAuley (Director of Corporate Services from 22 April 2013)	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	345	319	4	0
Mr S Morwood (Director of Plant Health Policy and Woodland Development & Strategies)	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	366	340	4	0

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. CARE pension benefits are increased annually in line with increases in the CPI. For 2014, public service pensions will be increased by 2.7% for pensions which began before 8 April 2013. Pensions which began after 8 April 2013 will be increased proportionately.

Employee contributions are determined by the level of pensionable earnings. The employee contribution rates for 2014/15 are as follows:

Members of **classic**:

Annual pensionable earnings (full-time equivalent basis)	New 2014 contribution rate before tax relief
Up to £15,000	1.50%
£15,001-£21,000	3.00%
£21,001-£30,000	4.48%
£30,001-£50,000	5.27%
£50,001-£60,000	6.06%
Over £60,000	6.85%

Members of **premium, nuvos** and **classic plus**:

Annual pensionable earnings (full-time equivalent basis)	New 2014 contribution rate before tax relief
Up to £15,000	3.50%
£15,001-£21,000	5.00%
£21,001-£30,000	6.48%
£30,001-£50,000	7.27%
£50,001-£60,000	8.06%
Over £60,000	8.85%

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

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

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. Further details about the CSP arrangements can be found at the website www.dfpni.gov.uk/civilservicepensions-ni

Cash Equivalent Transfer Values

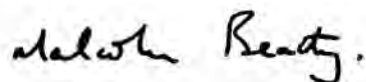
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment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

Real increase in CETV

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

Compensation for loss of office

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



MALCOLM BEATTY
Chief Executive

Statement of Agency's and Chief Executive's Responsibilities

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

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

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

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

Governance Statement

Governance Framework

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

Forest Service Management Board

I am supported by a Management Board comprising of the Forest Service Directors plus two Non-Executive Directors who, as well as being fully involved in the monitoring of agency performance and financial, resource, and risk management, also provide a challenge function where appropriate.

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

The Board is also responsible for the assessment and management of the risks associated with delivery of the Service's functions. It is the role of the Board to communicate the vision, role, direction and priorities of Forest Service to staff and other stakeholders and to ensure effective allocation and management of its staff and financial resources. Members support me (as Accounting Officer) in the operation of sound corporate governance and risk management procedures which secure and protect the resources under their control. The Board maintains a transparent system of prudent and effective controls, including internal controls. I appointed a Corporate Services Director in April 2013 to oversee this essential function.

I have begun the process to review the Board's Terms of Reference in the context of its expanded remit as reflected in the Agency's 2014/15 Business Plan and Risk Management Plan.

The Board meets on a monthly basis, with agreed minutes (including records of attendance and decisions taken), published on our Intranet site. Board members are required at the beginning of each Board meeting to declare any new interests. During the 2013/14 period no declared interests were deemed to conflict with the conduct of Board business.

Eleven Forest Service Board meetings were held in 2013/14. The August meeting was cancelled due to leave commitments. Attendance details of members are summarised in the following table.

Name	Total number of meetings since appointment to Board	Number of meetings attended
Malcolm Beatty	11	9
John Joe O'Boyle	11	10
Ian Irwin	11	9
Stuart Morwood	11	9
Marcus McAuley	11	11
Jim Crummie	2	2
Kevin Hegarty (Non Executive Director)	3	3
Pauline Keegan (Non Executive Director)	11	8

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

Forest Service Audit & Risk Assurance Committee (FSARAC)

FSARAC, previously known as the Corporate Governance & Audit Committee (FSCGAC), was established to support me in my responsibilities for risk control and governance by reviewing the comprehensiveness of assurances in meeting the Board's and Accounting Officer's assurance needs, and reviewing the reliability and integrity of these assurances.

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

It is chaired by a senior civil servant from the Department for Regional Development who is independent of the Forest Service. The other members of the committee are one executive member of the Forest Service and one non-executive member from DARD Financial Policy Branch.

FSARAC met on 3 occasions in 2013/14, the minimum required number of meetings per year as prescribed in their Terms of Reference. At each meeting the Committee is provided with a report summarising any changes to the Forest Service Corporate Risk Register, a progress report from the Head of DARD Internal Audit and another from NIAO; plus any other reports as required or requested. Attendance details of members are summarised in the following table.

FSARAC met on 3 occasions in 2013/14. Attendance details of members are summarised in the following table.

Members Name	Total number of meetings in Year	Number of meetings attended
John McNeill (Chairperson)	3	3
John Joe O'Boyle	3	3
Tom Rodgers	3	3

The Board's performance

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

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

The Board's work is informed by the work of the Soil Association who audits our management performance against the requirements of the UK Woodland Assurance Standard. The Soil Association confirms that there is sufficient evidence that our forests are sustainably managed for products manufactured from our timber to continue to be labelled with the Forestry Stewardship Council® logo.

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

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

Key findings of FSARAC in 2013/14

The Committee noted;

- the sensitivity of the timber asset value to comparatively small errors which could lead to a big impact on the balance sheet;
- the potential for a provision against the Woodland Grant Scheme for disallowance of EU claims because of mapping and other errors;
- the imperative to manage debtors in the course of timber sales and supply if significant risk to the Agency is to be avoided;
- Revised Risk Register;
- Introduction of Risk Management Plan;
- Internal Audit Review of Woodland Grant Scheme; and
- Work in hand to review and update the fraud risk register.

Corporate Governance

The Director of Forestry and the Director of Corporate Services have responsibility to provide me with a signed Stewardship Report. Those reports acknowledge their responsibility for ensuring that objectives for which they are responsible are clearly defined and that all members of staff within their commands are aware of the objectives relevant to their work. In addition, they have acknowledged their responsibility for developing and maintaining effective internal controls to provide reasonable assurance of achievement of these objectives. They have also provided me with specific details of actions taken in various areas of control.

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

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

Forest Service (EAFRD Measures 1.3, 2.3 and 2.4)

A 'limited' internal audit opinion was provided due to ongoing regulatory compliance issues and the number of previous recommendations. The Head of the DARD Paying Agency has however decided to accept the related risks due to the nature of scheme operations and the materiality of the expenditure involved.

No loss has been incurred by the Agency by administering these schemes to date.

While the current scheme is closed to new applicants, a new scheme is not yet available pending outcome of Common Agriculture Policy (CAP) reform. Our commitment at Agency and DARD Paying Agency level is to design a future compliant scheme.

Quality of the data used by the Board

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

Data Handling

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

Risk Assessment

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

The Forest Service Management Board leads the risk management process supported by a sub-committee. A risk register forms the basis of a risk management plan and is reviewed by the sub-committee on a regular basis. Ownership of risk rests with directors who ensure that individual

staff are able to manage risk in a way appropriate to their authority and duties. The Board is also represented on the Department's Risk Review Group.

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

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

Experienced managers throughout the Agency manage risks through a process of inspection and review and plans are modified to take account of risks in the delivery of business objectives. During the year the work of the Agency focussed on the risks relating to diseases affecting trees, those affecting timber sales, and stewardship of financial resources and assets including National and EU grant and Economy and Jobs Initiative funds.

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

- I have access, through the DARD Fraser Figure, to leadership, expertise and guidance from the DARD Board. It is deemed adequate to have 2 NEBMs to support the Executive members on the Agency Management Board. One of the NEBMs is a member of the DARD Senior Civil Service Group (SCSG) and is thereby linked to DARD Top Management Group (TMG) and Departmental Board in the same way as the Agency Chief Executive.
- A Corporate Services Director was appointed in April 2013 to enhance and complement the mix of corporate services skills in the areas of finance, human resources, communications, information systems and information technology on the Board. This member supervises a professionally qualified accountant and draws on that post holder in bringing accountancy expertise to the Board. Further, I am professionally qualified in this field.

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



MALCOLM BEATTY
Chief Executive

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

I certify that I have audited the financial statements of the Forest Service for the year ended 31 March 2014 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Chief Executive and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Forest Service's affairs as at 31 March 2014 and of the net operating cost, cash flows and changes in taxpayers' equity for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.



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

26 June 2014

STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2014

				2013-14 £000	2012-13 £000
	Note	Staff Costs	Other Costs	Income	
Programme Income					
EU Income	2			(802)	(705)
Operating Income	2			(9,584)	(9,314)
Programme Costs					
Staff Costs	4.1	6,986			6,742
Grants	5		1,629		1,414
Rental Costs	5		21		19
Other Expenditure	5		4,497		4,587
Non-Cash Items	5		2,159		292
Growing Timber Revaluation	5		13,346		(11,689)
Totals		6,986	21,652	(10,386)	(8,654)
Net Operating Deficit/(Surplus)				18,252	(8,654)

All income and expenditure is derived from continuing operations.

OTHER COMPREHENSIVE EXPENDITURE

				2013-14 £000	2012-13 £000
	Note				
Net (gain)/loss on revaluation of Property, Plant & Equipment	8			(2,779)	(24,549)
Net (gain)/loss on revaluation of Intangibles	9			0	(16)
Total Comprehensive Net Expenditure/(Surplus) for the year ended 31 March 2014				15,473	(33,219)

The notes on pages 51 to 68 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2014

Note	2014 £000	2013 £000
Non-current assets		
Heritage Assets	7	1,167
Property, plant and equipment	8	149,639
Intangible Assets	9	483
Biological Assets	11	132,175
Total non-current assets	283,464	292,809
Current assets		
Assets classified as held for sale	12	1,217
Inventories	15	138
Trade and other receivables	16	2,223
Cash and cash equivalents	17	3
Total current assets	3,581	2,354
Total assets	287,045	295,163
Current liabilities		
Trade and other payables	18	(1,561)
Provisions	19	(78)
Total current liabilities	(1,639)	(1,517)
Non-current assets plus/less net current assets/liabilities	285,406	293,646
Non-current liabilities		
Provisions	19	0
Total non-current liabilities	0	0
Total assets less liabilities	285,406	293,646
Taxpayers' equity		
General fund	197,080	207,708
Revaluation reserve	88,326	85,938
Total taxpayers' equity	285,406	293,646

Malcolm Beatty

MALCOLM BEATTY
Chief Executive
23 June 2014

The notes on pages 51 to 68 form part of these accounts.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2014

	Note	2013-14 £000	2012-13 £000
Cash flows from operating activities			
Net operating cost		(18,252)	8,654
Adjustments for non-cash transactions	5	15,505	(11,397)
(Increase) / Decrease in trade and other receivables	16	(848)	(20)
(Increase) / Decrease in Inventories	15	26	13
Increase / (Decrease) in trade and other payables	18	131	194
Use of provisions	19	(18)	(59)
Net cash outflow from operating activities		(3,456)	(2,615)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2,193)	(513)
Purchase of intangible assets	9	(13)	(10)
Proceeds of disposal of property, plant and equipment	5,8	27	0
Net cash outflow from investing activities		(2,179)	(523)
Cash flows from financing activities			
Funding from parent department		5,635	3,138
Net financing		5,635	3,138
Net increase/(decrease) in cash and cash equivalents in the period		0	0
Cash and cash equivalents at the beginning of the period		3	3
Cash and cash equivalents at the end of the period		3	3

The notes on pages 51 to 68 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
for the year ended 31 March 2014

	Note	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Taxpayers' equity at 31 March 2012		194,165	61,654	255,819
Changes in Accounting Policy		0	0	0
Balance at 1 April 2012		194,165	61,654	255,819
Net Assembly Funding - drawn down from DARD		3,138	0	3,138
CFERS payable to the Consolidated Fund		0	0	0
Comprehensive Expenditure for the Year - Net surplus/(deficit)		8,654	0	8,654
Non-Cash Adjustments	8.2, 9.2	0	24,565	24,565
Non-cash charges - other notional costs	6	1,456	0	1,456
Non-cash charges - auditor's remuneration	5	14	0	14
Transfers between reserves		281	(281)	0
Balance at 31 March 2013		207,708	85,938	293,646
Net Assembly Funding - drawn down from DARD		5,635	0	5,635
CFERS payable to the Consolidated Fund		0	0	0
Comprehensive Expenditure for the Year - Net surplus/(deficit)		(18,252)	0	(18,252)
Non-Cash Adjustments	8.1, 9.1	0	2,779	2,779
Non-cash charges - other notional costs	6	1,584	0	1,584
Non-cash charges - auditor's remuneration	6	14	0	14
Transfers between reserves		391	(391)	0
Balance at 31 March 2014		197,080	88,326	285,406

The notes on pages 51 to 68 form part of these accounts.

NOTES TO THE AGENCY'S ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Forest Service for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Forest Service are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

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

1.2 Property, plant and equipment

Capitalisation

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

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

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

Valuation

Buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Professional revaluations of buildings are undertaken every five years, with the valuations used in these accounts provided by Land and Property Services (LPS) as at 1 April 2009. Buildings are revalued annually, between professional valuations, using indices provided by LPS. From 1 April 2012 the Agency's buildings have been revalued using the Building Cost Information Service (BCIS) index provided by LPS. In prior years the index used to revalue buildings was the One-Percent Price Index (OPI) as provided by the Office for National Statistics.

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

Land now forms part of the Combined Asset Valuation (CAV) of forestry land and timber thereon and is valued annually by LPS. The fair value for the land is calculated by deducting the fair value of the timber from the CAV. All valuations have been carried out by LPS in accordance with the current edition of Royal Institute of Chartered Surveyors Valuation Professional Standards (known as the Red Book) at the time of the valuation.

The value of trees grown for commercial purposes is included in non-current assets on a fair value

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

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

Assets under construction are carried at cost.

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

Depreciation

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

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

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

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

Assets under construction are not depreciated until they are commissioned.

1.3 Intangible Assets

Purchased computer software licenses are capitalised as intangible assets where expenditure of £5,000 or more is incurred. In addition, similar licenses falling below this threshold, which when grouped exceed the threshold, are also capitalised. The value of the capitalised licenses is restated at fair value at the Statement of Financial Position date in accordance with the movement in the Retail Price Index (RPI). Software licenses are amortised over their expected useful life, which can be from 1 to 15 years, depending on the license.

Land rights (shooting and turbarry rights) are valued every 5 years by a professional valuer. The valuations of land rights used in these accounts were provided by the Land and Property Services (LPS) as at 1 April 2009. There is no in-year amortisation charge as the life span is land-based and therefore assumed to be infinite.

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

1.4 Biological Assets

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

The age and expected volume at harvest is derived from measurements of sample plots taken in 2007 and subsequently 2012 and 2013 and applied to a series of timber yield models. The age of Maximum Mean Annual Increment (MMAI) is used as the most appropriate method of assessing when a crop is mature. In the absence of an active market for the sale of immature forest crops or forests in Northern Ireland, the value of trees is included in non-current assets on a fair value basis less estimated selling costs.

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

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

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

1.5 Heritage Assets

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

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

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

1.6 Non-Current Assets reclassified as Current Assets held for Sale

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

1.7 Inventories

General raw material stocks are shown at the lower of average costs and net realisable value.

1.8 Contingent Liabilities

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

reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland (MPMNI).

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

1.9 Provisions

The Agency provides for legal or constructive obligations, which are of an uncertain timing, or amount at the Statement of Financial Position date, on the basis of the best estimate of the expenditure required to settle the obligation.

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

DARD is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. DARD provides in full for the cost of meeting these payments in respect of early retirement programmes at the time that a liability is created. These costs are included as a notional cost in the Agency accounts. There was 1 early retirement in 2013/14.

1.10 Operating Income

Operating income is income that relates directly to operating activities of the Agency. It comprises fees and charges to be recovered for services provided to external customers, sale of timber, other forest products and rental income.

1.11 Grant Income and Expenditure

Forestry Grant Schemes for the creation of new woodland, the restocking of previously felled areas and the management of existing mature and semi-mature woodlands are co-funded by the European Agricultural Fund (EAF). The Agency recognises grant expenditure in the period in which the recipient carries out the activity that creates an entitlement to the grant support, in so far as it is practicable to do so. EU income due to the Agency is accrued in line with the relevant expenditure.

1.12 Administration and Programme Income and Expenditure

The Statement of Comprehensive Net Expenditure shows only programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting Guidance issued by HM Treasury and adopted by the Department of Finance and Personnel (DFP) for Northern Ireland. All of the Agency's income and expenditure relates directly to service delivery and as such is designated as programme.

1.13 Employee Benefits including Pension Costs

Under the requirements of IAS 19 Employee Benefits, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been derived by using a specific report run from HR Connect which calculates the year end balance using actual leave balances on the system.

Past and present employees are covered by the provisions of the Principal Civil Service Pension

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

1.14 Foreign Exchange

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

1.15 Value Added Tax

The Statement of Comprehensive Net Expenditure is stated net of VAT. Where trade receivables and trade payables are stated gross of VAT, the VAT account balance is adjusted accordingly. VAT is recovered on an accruals basis by DARD.

1.16 Taxation

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

1.17 Financial Instruments

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

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

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

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

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

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

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective

assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

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

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

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

1.18 Related Party Transactions

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

In addition, Forest Service has had a small number of transactions with other government departments and other central government bodies including Department of Finance and Personnel (DFP), Department of Enterprise Trade and Investment (DETINI) and the Agri-Food and Biosciences Institute (AFBI).

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

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

1.19 Segmental Reporting

Under IFRS 8, the Agency has one operating segment whose results are regularly reviewed by the Accounting Officer to make decisions about resources to be allocated to the segment and assess its performance. The operating aim of the Agency is to manage existing woods and forests across Northern Ireland and to secure a steady expansion of tree cover to promote economic and environmental benefits and provide recreational opportunities for the people of Northern Ireland.

1.20 Critical accounting estimates and key adjustments

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

1.21 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2014

The Agency has reviewed the standards, interpretations and amendments to published standards that became effective during 2013/14 and which are relevant to its operations. The Agency anticipates that the adoption of these standards will have no material impact on the Forest Service's financial position or results of operations.

The International Accounting Standards Board (IASB) has issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective from January 2013, with EU adoption from 1 January 2014.

Accounting boundary IFRS' are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by HM Treasury. A review of the NI financial process is currently under discussion with the Executive, which will bring NI departments under the same adaptation. Should this happen, the impact on departments is expected to focus around the disclosure requirements under IFRS 12.

1.22 Impending application of newly issued accounting standards not yet effective

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

2 INCOME

	2013-14 £000	2012-13 £000
Grant income		
EU Income	802	705
Operating Income		
Timber Sales	8,194	8,147
Other Forest Products	63	67
Recreation	879	745
Rentals	313	236
Other Activities	135	119
	9,584	9,314
Total	10,386	10,019

3 BUSINESS ACTIVITIES ATTRACTING FEES AND CHARGES

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

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

Non-Commercial Recreation refers to visits to all of our forests while entrance charges are only levied for 9 Forest Parks.

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

	2013-14			2012-13		
	Income	Cost	Surplus/ (Deficit)	Income	Cost	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
Commercial Recreation	433	419	14	416	418	(2)
Non-Commercial Recreation	342	1,419	(1,077)	329	1,300	(971)
Total	775	1,838	(1,063)	745	1,718	(973)

4 STAFF NUMBERS AND RELATED COSTS

4.1 Staff Costs comprise:

			2013-14	2012-13
	Permanently employed staff	Others	£000	£000
Wages and Salaries	5,512	99	5,611	5,432
Social Security Costs	403	6	409	390
Other Pension Costs	952	14	966	920
Total net costs	6,867	119	6,986	6,742

The Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)] is an unfunded multi-employer defined benefit scheme but Forest Service is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2010. The pension scheme liability reported in the DFP Superannuation and Other Allowance Resource Accounts last year was at 31 March 2010, however, work is ongoing to provide a report on an updated valuation as at 31 March 2012 for the basis of the actuarial valuation rolled forward to the reporting date of the DFP Superannuation and Other Resource Accounts for 2014.

For 2013/14, employers contributions of £963,072 were payable to the PCSPS(NI) (2012/13: £920,173) at one of four rates in the range 18 to 25 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new valuation scheme based on data as at 31 March 2012 is currently being undertaken by the Actuary to review employer contribution rates for the introduction of a new career average earning scheme from April 2015. From 2014/15, the rates will remain in the range 18 to 25 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2013/14 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £nil (2012/13: £nil) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5 per cent (2012/13: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £nil, 0% (2012/13: £nil, 0%) of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £nil.

1 person (2012/13: 2 persons) retired early on ill-health grounds; the total additional accrued liabilities in the year amounted to £2,887 (2012/13: £4,336).

4.2 Average Number of Persons Employed

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

			2013-14 Number	2012-13 Number
	Permanent staff	Others	Total	Total
Industrial	106.25	8.25	114.50	121.00
Non Industrial	88.04	0.25	88.29	89.00
Total	194.29	8.50	202.79	210.00

5 PROGRAMME COSTS

	Note	2013-14 £000	2012-13 £000
Grant Payments			
Paid to applicants	EU element	811	705
	National element	818	709
		1,629	1,414
Rentals under operating leases		21	19
Other Expenditure			
Staff related costs		281	268
Accommodation costs		344	280
Office Services		145	138
Contracted out services		1,596	1,738
Professional costs		90	89
Consultancy costs		(50)	(50)
Other costs		2,091	2,124
		4,497	4,587
Non-cash items			
Depreciation	8	801	759
Amortisation	9	43	41
Revaluation	8	(352)	(2,003)
Loss/(Profit) on disposal of non-current assets		59	0
Liability provisions provided for in year	19	8	25
Bad debts written off		2	0
Notional charges	6	1,598	1,470
		2,159	292
Growing Timber Revaluation	11	13,346	(11,689)
Total Programme Costs		21,652	(5,377)

Grant Payments

The total of grant payments for 2013/14 included £Nil paid to public bodies (2012/13: £86,000). Payments to private sector recipients for 2013/14 totalled £1,629,000 (2012/13: £1,328,000).

Growing Timber Revaluation

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

6 NOTIONAL COSTS

	2013-14 £000	2012-13 £000
Services provided by parent department		
Central Support	649	657
Compensation Claims	145	0
	794	657
Services provided by other departments		
DFP Accommodation charges	174	176
Business Development Service	6	5
Departmental Solicitors' Office	17	23
Account NI	210	204
IT Assist	383	391
Auditor's remuneration and expenses	14	14
	804	813
Total Notional Costs	1,598	1,470

Notional Costs relate to services received for which no actual payment is made. They are included in the accounts so as to reflect the full economic cost of provision.

7 HERITAGE ASSETS

7.1 2013-14

	Heritage Assets £000
Cost or Valuation	
At 1 April 2013	1,167
Additions	0
Disposals	0
Reclassifications	0
Revaluations	0
Impairments	0
Indexation	0
At 31 March 2014	1,167
Carrying amount at 31 March 2014	1,167
Carrying amount at 31 March 2013	1,167

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

7.2 2012-13

	Heritage Assets £000
Cost or Valuation	
At 1 April 2012	1,167
Additions	0
Disposals	0
Reclassifications	0
Revaluations	0
Impairments	0
Indexation	0
At 31 March 2013	1,167
Carrying amount at 31 March 2013	1,167
Carrying amount at 31 March 2012	1,167

8 PROPERTY, PLANT AND EQUIPMENT

8.1 2013-14

	Land £000	Buildings £000	Plant and Machinery £000	Information Technology £000	Assets under Construction £000	Total £000
Cost or Valuation						
At 1 April 2013	138,790	5,768	5,681	343	171	150,753
Additions	0	0	399	0	1,794	2,193
Disposals	(19)	(59)	(227)	0	0	(305)
Reclassifications	0	0	0	0	0	0
Revaluations	2,438	190	206	(2)	0	2,832
Impairments	0	0	0	0	0	0
Transfers	0	0	(18)	0	0	(18)
Net revaluations charged to SOCNE	400	(64)	14	0	0	350
At 31 March 2014	141,609	5,835	6,055	341	1,965	155,805
Depreciation						
At 1 April 2013	514	704	4,210	122	0	5,550
Charge in year	83	210	417	91	0	801
Disposals	0	(8)	(211)	0	0	(219)
Reclassifications	0	0	0	0	0	0
Revaluations	(83)	(4)	140	0	0	53
Impairments	0	0	0	0	0	0
Transfers	0	0	(17)	0	0	(17)
Net revaluations charged to SOCNE	0	(16)	14	0	0	(2)
At 31 March 2014	514	886	4,553	213	0	6,166
Carrying amount at 31 March 2014	141,095	4,949	1,502	128	1,965	149,639
Carrying amount at 31 March 2013	138,276	5,064	1,471	221	171	145,203
Asset financing						
Owned	141,095	4,949	1,502	128	1,965	149,639
Finance leased	0	0	0	0	0	0
Carrying amount at 31 March 2014	141,095	4,949	1,502	128	1,965	149,639

1) Forest Service Agency land now forms part of the Combined Asset Valuation of forestry land and timber thereon (CAV) and is valued annually by LPS. The fair value for the land is calculated by deducting the fair value of the timber (as calculated per note 1.4) from the CAV. All valuations have been carried out by LPS in accordance with the current edition of Royal Institution of Chartered Surveyors Valuation Professional Standards (known as the Red Book) at the time of the valuation.

2) Forest Service Agency buildings were valued as at 1 April 2009 on an existing use basis by an independent surveyor, Land and Property Services Agency (LPS), now called Land and Property Services, a division of Department of Finance and Personnel. Properties surplus to requirements are valued on the basis of open market value less any material, directly attributable, selling costs.

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

4) Assets under construction consist of ongoing infra-structure projects across the forest service estate. The majority of the infra-structure projects are part of the wider Forest Fund project. The Forest Fund was established in order to examine opportunities in 2013/14 and 2014/15 for Forest Service to facilitate the development of existing and potential recreation and tourism products on the public forest estate through the allocation of £4m funding through the Northern Ireland Executive's Economy and Jobs Initiative.

8.2 2012-13

	Land £000	Buildings £000	Plant and Machinery £000	Information Technology £000	Assets under Construction £000	Total £000
Cost or Valuation						
At 1 April 2012	112,234	5,979	5,394	132	58	123,797
Additions	0	0	213	187	113	513
Disposals	0	0	0	(10)	0	(10)
Reclassifications	0	0	0	0	0	0
Revaluations	24,558	(205)	75	34	0	24,462
Impairments	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Net revaluations charged to SOCNE	1,998	(6)	(1)	0	0	1,991
At 31 March 2013	138,790	5,768	5,681	343	171	150,753
Depreciation						
At 1 April 2012	455	513	3,838	92	0	4,898
Charge in year	65	217	430	47	0	759
Disposals	0	0	0	(10)	0	(10)
Reclassifications	0	0	0	0	0	0
Revaluations	(6)	(24)	(56)	(1)	0	(87)
Impairments	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Net revaluations charged to SOCNE	0	(2)	(2)	(6)	0	(10)
At 31 March 2013	514	704	4,210	122	0	5,550
Carrying amount at 31 March 2013	138,276	5,064	1,471	221	171	145,203
Carrying amount at 31 March 2012	111,779	5,466	1,556	40	58	118,899
Asset financing						
Owned	138,276	5,064	1,471	221	171	145,203
Finance leased	0	0	0	0	0	0
Carrying amount at 31 March 2013	138,276	5,064	1,471	221	171	145,203

9 INTANGIBLE ASSETS

9.1 2013-14

	Land Rights £000	Software Licenses £000	Externally Developed Software £000	Total £000
Cost or Valuation				
At 1 April 2013	450	78	71	599
Additions	0	2	11	13
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	0	0	0
Impairments	0	1	0	1
Net revaluations charged to SOCNE	0	0	2	2
At 31 March 2014	450	81	84	615
Amortisation				
At 1 April 2013	0	50	36	86
Charge in year	0	18	25	43
Disposals	0	0	0	0
Reclassifications	0	1	0	1
Revaluations	0	0	0	0
Impairments	0	0	0	0
Net revaluations charged to SOCNE	0	0	2	2
At 31 March 2014	0	69	63	132
Carrying amount at 31 March 2014	450	12	21	483
Carrying amount at 31 March 2013	450	28	35	513

Land Rights held by the Forest Service relate to shooting, turbarry rights and wayleaves. They are valued at 5-yearly intervals by the Land and Property Services (LPS), the latest being at 1 April 2009.

9.2 2012-13

	Land Rights £000	Software Licenses £000	Externally Developed Software £000	Total £000
Cost or Valuation				
At 1 April 2012	450	69	69	588
Additions	0	10	0	10
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	(1)	2	1
Impairments	0	0	0	0
Net revaluations charged to SOCNE	0	0	0	0
At 31 March 2013	450	78	71	599
Amortisation				
At 1 April 2012	0	39	23	62
Charge in year	0	18	23	41
Disposals	0	0	0	0
Reclassifications	0	0	0	0
Revaluations	0	(5)	(10)	(15)
Impairments	0	0	0	0
Net revaluations charged to SOCNE	0	(2)	0	(2)
At 31 March 2013	0	50	36	86
Carrying amount at 31 March 2013	450	28	35	513
Carrying amount at 31 March 2012	450	31	46	527

10 DONATED ASSETS

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

11 BIOLOGICAL ASSETS

	Note	2013-14 £000	2012-13 £000
Value at 1 April		145,926	134,299
Revaluation adjustment			
Transfer to assets held for sale	12	(1,214)	(809)
Timber removals		(8,346)	(7,921)
Timber lost to fire		(3)	(7)
Timber lost to disease		(12)	-
Price/Growth increment		(4,176)	20,364
Carrying amount at 31 March		132,175	145,926
Revaluation adjustment			
Credited/(charged) to Statement of Comprehensive Net Expenditure	5	(13,346)	11,689
In year movement in assets held for sale	12	(405)	(62)
Movement in timber valuation		(13,751)	11,627

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

Timber identified as having been allocated under contract and removed from the estate database being available for sale in 2014/15 is valued at the expected sales price. Timber removals in year are valued at the sales price achieved.

Movement in timber valuation

The age and expected volume at harvest is derived from measurements of sample plots taken in 2007 and subsequently 2012 and 2013 and applied to a series of timber yield models. The age of Maximum Mean Annual Increment (MMAI) is used as the most appropriate method of assessing when a crop is mature.

The fall in the value of sales at maturity (this was due to the 2008/09 annualised value per hectare dropping out of the rolling 5 year mean annual increment) to £7,158 ha (2012/13: £7,459 ha), coupled with an increase in the costs to sell, accounted for approx £7m of the revaluation movement.

The timber valuation model uses Yield Class as a standard measure of growth productivity to determine at what age a sub-compartment of forest for valuation is mature. The Yield Class value for each sub-compartment is based on recently updated inventory information which has resulted in a slight drop in mean Yield Class from 16 to 15 for our most commonly planted forest crop.

This factor combined with the removal of 800 ha of mature forest accounts for the remaining £6.4 million reduction in timber valuation.

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

12 CURRENT ASSETS - ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2013-14 £000	2012-13 £000
Land		3	3
Timber			
Opening balance		809	750
Additions		1,214	809
Disposals		(809)	(750)
Revaluation		0	0
Closing Balance	11	1,214	809
Carrying amount at 31 March		1,217	812

Asset held for sale includes one small area of land surplus to requirements.

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

13 REVALUATIONS

		2013-14 £000	2012-13 £000
Property, plant & equipment	5, 8	(352)	(2,003)
Growing Timber Revaluation	5, 11	13,346	(11,689)
Total Revaluation (credit)/charge in year		12,994	(13,692)

14 FINANCIAL INSTRUMENTS

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

15 INVENTORIES

	2013-14 £000	2012-13 £000
Inventories	138	164
Balance at 31 March	138	164

16 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2013-14 £000	2012-13 £000
Amounts falling due within one year		
Trade receivables	1,779	1,312
Other receivables	0	0
Prepayments and accrued income	44	51
EU funding receivable	31	12
VAT	369	0
Balance at 31 March	2,223	1,375

16.1 INTRA-GOVERNMENT BALANCES

	2013-14 £000	2012-13 £000
Balances with other central government bodies	0	0
Balances with local authorities	0	0
Subtotal: intra-government balances	0	0
Balances with bodies external to government	2,223	1,375
Total receivables at 31 March	2,223	1,375

17 CASH AND CASH EQUIVALENTS

Balance at 1 April	3	3
Net change in cash and cash equivalent balances	0	0
Balance at 31 March	3	3
The following balances as at 31 March were held at:		
Commercial banks and cash in hand	3	3
Balance at 31 March	3	3

18 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Amounts falling due within one year		
Other taxation and social security	0	0
Trade payables	(5)	35
Other payables	94	4
Accruals and deferred income	1,472	1,342
Consolidated Funds extra receipts due to be paid to the consolidated fund	0	26
VAT	0	23
Balance at 31 March	1,561	1,430

18.1 INTRA-GOVERNMENT BALANCES

Balances with other central government bodies	153	111
Balances with local authorities	0	0
Subtotal: intra-government balances	153	111
Balances with bodies external to government	1,408	1,319
Total payables at 31 March	1,561	1,430

19 PROVISIONS FOR LIABILITIES AND CHARGES

2013-14	Legal Claims £000	Total £000
Balance at 1 April 2013	87	87
Provided in the year	59	59
Provisions utilised in the year	(18)	(18)
Provisions not required written back	(50)	(50)
Balance at 31 March	78	78
Analysis of expected timing of discounted cash flows		
	Legal Claims £000	Total £000
Not later than one year	78	78
Later than one year and not later than five years	0	0
Later than five years	0	0
Balance at 31 March	78	78

2012-13	Legal Claims £000	Total £000
Balance at 1 April 2012	120	120
Provided in the year	27	27
Provisions utilised in the year	(59)	(59)
Provisions not required written back	(1)	(1)
Balance at 31 March	87	87

Analysis of expected timing of discounted cash flows	Legal Claims £000	Total £000
Not later than one year	87	87
Later than one year and not later than five years	0	0
Later than five years	0	0
Balance at 31 March	87	87

Legal Claims

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

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

20 GRANT COMMITMENTS

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

	2013-14 £000	2012-13 £000
EU Grant Schemes		
Not later than one year	513	566
Later than one year and not later than five years	1,869	1,824
Later than five years	1,579	1,425
	3,961	3,815
National Grant Schemes		
Not later than one year	419	463
Later than one year and not later than five years	1,530	1,492
Later than five years	1,292	1,166
	3,241	3,121
Total EU/National Grant Schemes		
Not later than one year	932	1,029
Later than one year and not later than five years	3,399	3,316
Later than five years	2,871	2,591
Present value of obligations	7,202	6,936

21 CAPITAL COMMITMENTS

Contracted capital commitments at 31 March not otherwise included in these financial statements amount to £1.5m (2012/13: £nil) and are in relation to the Forest Fund.

22 COMMITMENTS UNDER LEASES

Operating leases

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

	2013-14 £000	2012-13 £000
Land		
Not later than one year	2	2
Later than one year and not later than five years	7	7
Later than five years	176	178
	185	187

23 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

Public Liability Claims - The Agency has 13 ongoing public liability claims at 31 March 2014. Due to the serious prejudice that would be caused to the Agency's position in relation to these claims with other parties, full disclosure is not possible.

24 LOSSES AND SPECIAL PAYMENTS

	2013-14 £000	Number of cases	2012-13 £000	Number of cases
Forest Fires	4	1	7	2
<i>P. ramorum</i> *	164	10	186	12
<i>P. lateralis</i> *	0	0	7	4
<i>Chalara fraxinea</i> *	0	0	11	22
Others	12	6	14	9
	180	17	225	49

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

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

25 RELATED PARTY TRANSACTIONS

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

In addition, the Forest Service has had a small number of transactions with other government departments and other central government bodies including Department of Finance and Personnel (DFP), the Department of Enterprise, Trade and Investment (DETINI) and the Agri-Food and Biosciences Institute (AFBI).

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

26 THIRD-PARTY ASSETS

Forest Service has no third-party assets as at 31 March 2014.

27 EVENTS AFTER THE REPORTING PERIOD

There have been no material post balance sheet events occurring after the year end which affect these accounts.

DATE OF AUTHORISATION FOR ISSUE

The Accounting Officer authorised these financial statements for issue on 26 June 2014.



FS 2C 07/14 IMPR
ISBN 978-1-84807-491-0

Printed on recycled paper

