



Annual Report and Accounts

2005 - 2006

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Forestry Commission Wales



ANNUAL REPORT AND ACCOUNTS FORESTRY COMMISSION WALES 1 APRIL 2005 – 31 MARCH 2006

In addition to this report to the Welsh Assembly Government on the activities of Forestry Commission Wales, the Forestry Commission provides a report to the Scottish Executive (about activities in Scotland) and to the Westminster Parliament (about activities in England and activities that are funded at the Great Britain level, such as International Forestry Policy).



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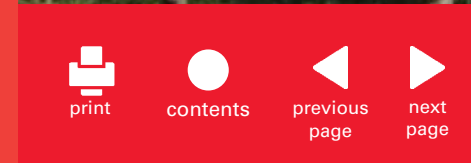
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Foreword, Chairman, National Committee for Wales



This year has seen a number of significant developments for Forestry Commission Wales, not least with the appointment of a new Director. I have been pleased to begin working alongside Ian Forshaw on both the GB Board of Commissioners and, in the context of this report, in relation to the management of Forestry Commission Wales. At the same time as welcoming Ian, I would like to pay my respect and give my thanks to the outgoing Director, Simon Hewitt, who retired at the end of May 2005.



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Foreword, Chairman, National Committee for Wales

During the year, the National Committee has had some serious issues presented, all of which have required in-depth consideration to develop the most appropriate response. Of these, the publication of the Welsh Assembly Government's Technical Advice Note 8 [Planning for Renewable Energy] has perhaps offered the biggest challenge. The guidance aimed at delivering the Assembly's renewable energy targets has offered a clear line of direction for not only local authorities and renewable energy developers but also to the Forestry Commission as the managers of the national forest estate in Wales. The development of the National Forest Estate Wind Farm Programme has been our response and we decided that as the custodians of public resources we should put in place the fairest, most transparent and objective tender process possible. As the year draws to a close, it seems likely that this process will be challenged in court via Judicial Review as any competitive tender process will inevitably generate unhappy parties along the way.



However, we have not focused solely on wind farms. The National Committee has also helped develop responses on affordable housing using the public estate asset, the forestry input to the Rural Development Plan, timber marketing, wood as a fuel, consideration of the role Wales's woodlands play in mitigating climate change and timber transport issues in Wales.

The highlight of the year in terms of our higher-level strategy has been the major conference held in January to review the progress against the aims and objectives of Woodlands for Wales. More than 140 delegates attended and we all heard the Minister, Carwyn Jones AM, call for a light touch on any review of what is a 50-year vision for the woodlands of Wales. However, the Minister did ask us to consider the alignment of the Woodland Strategy to the Assembly Government's Environment Strategy, which was published during the year. We will be working with the Woodland Strategy Advisory Panel to undertake this review and this piece of work will be finalised towards the end of next year.

Finally, I would just like to take this opportunity to thank all the staff, stakeholders and partners of Forestry Commission Wales for all their contributions during another busy and successful year.

Gareth Wardell
Chairman, National Committee for Wales



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Introduction, highlights of the year



I took on the role of Interim Director of Forestry Commission Wales in May, as Simon Hewitt retired from the organisation and my thanks to Simon for his introduction to the job. An initial exercise to fill the Director post on a permanent basis was unsuccessful. Long before the second attempt to find a successor to Simon, I had changed my initial view on applying for the job and this time made an application. I am very pleased and proud to have succeeded in this application and by December I was confirmed as the permanent Director. In terms of introducing this report, I would like to say that the passion for forestry in Wales and the body of work detailed in the report, along with the dedication of the staff who helped deliver it, were all significant contributory factors in my applying for the Director position on a permanent basis.



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Introduction, highlights of the year

For such a small staff group, Forestry Commission Wales has undertaken a hugely varied programme of work and partnership. The year has seen a number of developments such as our launch of the National Forest Estate Wind Farm Programme tender, as well as the near completion of a number of initiatives such as the re-development of the woodland grant scheme.

A number of important milestones have been delivered for this new grant scheme, Better Woodlands for Wales, throughout the year. We have rolled-out a large proportion of the new scheme and carefully managed the process through a series of transitional arrangements to ensure a smooth changeover. A more detailed account can be found later in the report and I look forward to the official launch by the Minister, when all the new arrangements are in place, later in the year.

Woodlands for Wales came under the spotlight in January when more than 140 delegates considered and debated the first five years of progress towards implementing the strategy. To help

provide the necessary evidence for the discussion, we published on behalf of the Welsh Assembly Government, the Progress Report 2001-2005. As well as reporting progress at an Action level within this document, we also took the opportunity to present the full set of indicators that have been developed so far to form the monitoring framework. Reporting against this framework will provide the evidence of progress in years to come. At the conference, we were constructively challenged on the areas where progress has been slowest and the Minister similarly challenged the

whole partnership that derives its direction from the strategy to review the alignment of Woodlands for Wales to the Assembly Government's recently published Environment Strategy. We hope this will be a relatively modest exercise, as we have remained fully engaged with the development of this strategy with a member of staff, Michelle Bromley, on a part-time secondment to the government's Environment Strategy team for part of the year. We are confident that this overarching strategy has recognised the major role that trees and woodlands



Introduction, highlights of the year



have to play in creating a better environment for the people of Wales.

We have had an equally busy year working with colleagues in government and also across the wider forestry sector on a number of partnerships and initiatives.

Our efforts to help deliver an exemplar model for the development of affordable rural housing began to pay off during the year. The tricky job of ensuring that the housing needs are matched with the potential sites at the correct time has required careful management. But we

are now confident that there will be tangible progress on at least two sites next year, with plenty of other sites awaiting the right moment from either the communities or local authorities' perspectives.

We have pioneered a genuine first for the Forestry Commission with a pilot secondment of a police officer to our Coed y Cymoedd Forest District for four months during the year. This pilot, along with the associated written report, have offered a major spotlight onto the potential for joint working between the

police and the land management and regulation agencies such as ourselves. We aim to pursue these opportunities next year as they have real scope to significantly improve the quality of life for many of those who live close to the forests we manage, particularly in South Wales.

Our championing, along with the former Welsh Development Agency, of the Wales Forest Business Partnership has begun to pay dividends during the year. The partnership now has a strong industry-based leadership group with an excellent chairman, Kevin Lydon from UPM Kymmene group, on board. The partnership has identified its areas for initial focus and developed a set of early actions. The next year should be a productive one; with well-laid plans for a co-ordinated marketing campaign promoting Welsh wood products and services, as well as proposals for a knowledge hub to co-ordinate technology and information transfer.

We are now working with partners and supporters to deliver a major boost to the restoration of Plantations on Ancient



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Introduction, highlights of the year



Woodland Sites (PAWS) throughout Wales via two different but equally innovative projects. The Merionnydd Upland Oakwood Management project is a jointly delivered partnership focusing on the planted ancient woodlands of this magnificent region of Wales with its amazing woodlands and wider landscape quality. The Reclaiming our Forgotten Inheritance project, launched by the Minister in July, has truly ambitious plans and a £2.3M budget to help make a real difference to those areas of PAWS that have the potential to be special again.

Since joining Forestry Commission Wales, I have been adamant that as well as the new and innovative, we would also concentrate on our traditional activities of sound silviculture and forest planning. It is therefore particularly

pleasing that the organisation should have its best thinning result in years with more than 250K cubic metres of thinning volume leaving the Assembly woodland estate. This result, along with the continued focus I intend to have on this basic tenet of sound woodland management into the future, can only serve as a major long-term investment into the public woodland estate. We have also spent time on getting our long-term production forecast figures correct and I

was delighted that we were able to publish our first Timber Marketing Strategy at the end of the year. In this document we lay out clearly our sales plans, as well as the standards of customer care and service that we aim to deliver in the future. I remain concerned about the issues associated with a reduction in timber volume from the Assembly woodlands and I am committed to being open with our customers, the wider private sector and



Introduction, highlights of the year



other stakeholders about the challenges we all face.

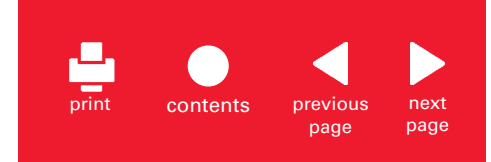
On the theme of customer service, we have high hopes for the improvements that our new Customer Service Centre in Llanrwst will have on this vital aspect of any public service organisation, in years

to come. Already we have telephone calls to three of our offices managed by the centre with plans for all our offices around Wales to be covered by the middle of next year. A single point of contact for Forestry Commission Wales offers us tremendous potential to be able to understand the needs of our customers much better and also to put the necessary systems in place to ensure consistent follow-up on requests.

Finally, I should mention the impact that the National Forest Estate Wind Farm programme has had, and is set to have, on the organisation. Following considerable discussion and guidance from our National Committee, we eventually settled on a transparent process to tender 'options to develop' for each of the Welsh Assembly Government identified Strategic Search Areas around Wales. However, this programme and the necessary requirements of a public tender exercise on this scale have led some of the private development companies to challenge very seriously our decisions. At the time of concluding this report, it looks likely that we may end up facing a

Judicial Review in the High Court but despite this I have every confidence that the process we have embarked upon is the right one.

Ian Forshaw
Director



Strategy and Context



FORESTRY COMMISSION WALES AND THE NATIONAL ASSEMBLY FOR WALES STRATEGY FOR TREES AND WOODLANDS

OUR MISSION AND VISION

Forestry Commission Wales has a mission to deliver 'Better Woodlands for a Better Wales'. Our vision is that:

'all woodland in Wales will be sustainably managed and valued by the people of Wales. Over the next 20 years, people will notice a significant and welcome change in the character of Welsh woodlands, with fine woods and trees that deliver the services that people want and need'.

We work closely with colleagues in the Department of Environment, Planning and Countryside (DEPC) within the Welsh Assembly Government, contributing to the Department's aims and objectives and the cross-cutting objectives that run through all the Welsh Assembly Government's policies. The Director of DEPC has a place on the Forestry Commission's National Committee for Wales. In turn, our Director is a member of the DEPC Senior Management Team.



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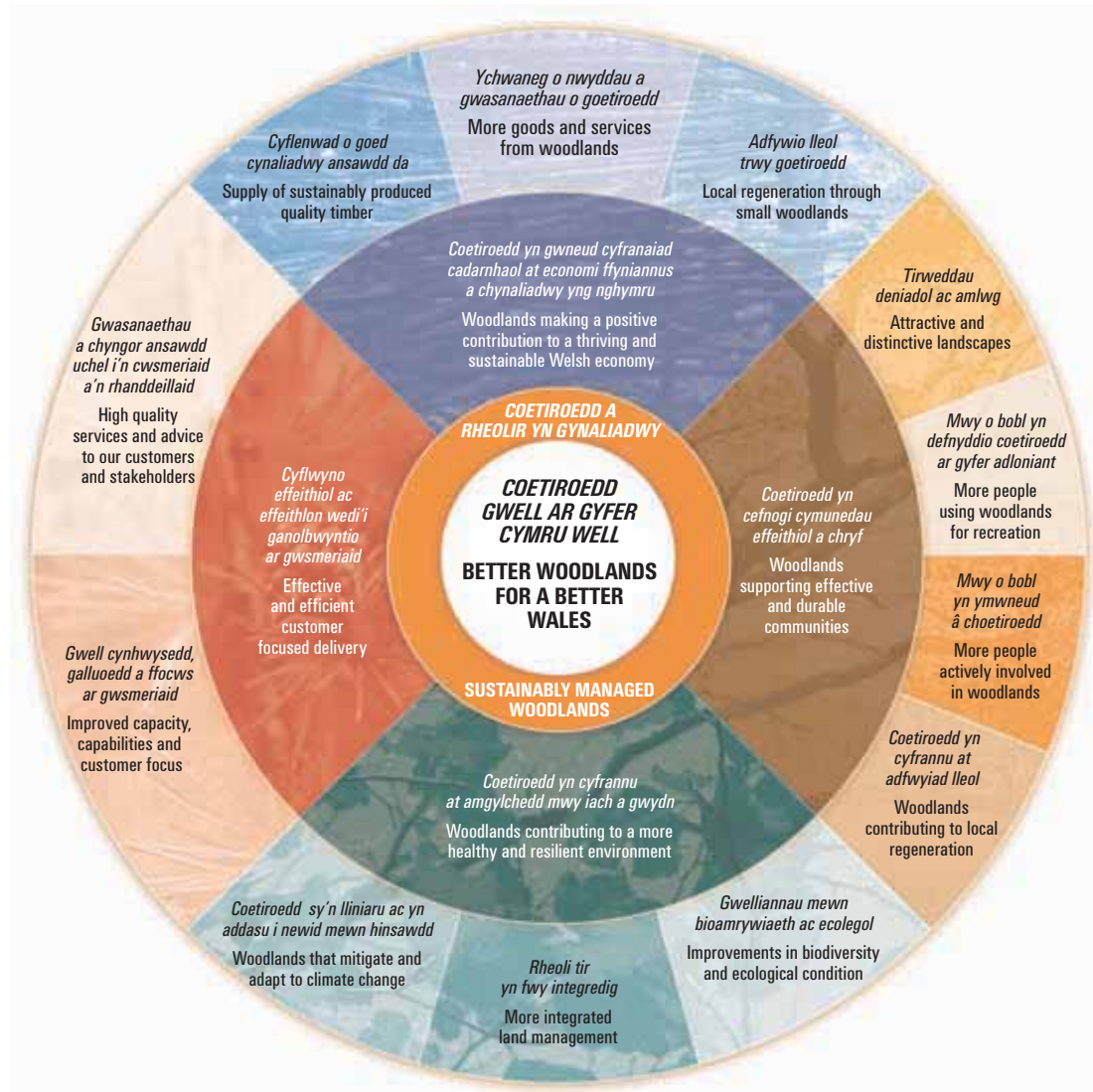
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Strategy and Context

We also work closely with other parts of the Forestry Commission and the Chairman of the National Committee, our other non-executive Welsh Commissioner and our executive Director all have a seat on the GB Board of Forestry Commissioners.

Our corporate plan 2005/06 – 2007/08, Better Woodlands for a Better Wales, was published in April 2005. This annual report is structured around the key objectives of this plan, as shown in our vision wheel.



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Strategy and Context

STRATEGIC DIRECTIONS

Our corporate plan takes its strategic direction from wider Welsh Assembly Government policy, which has sustainable development as a central and statutory requirement. The Government's Strategy for Trees and Woodlands, Woodlands for Wales, is an integral part of the overall sustainable development plan for Wales and sets us objectives within five strategic programmes for action:

1. Woodlands for People
2. A New Emphasis on Woodland Management
3. Wales as a Location for World-Class Forest Industries
4. A Diverse and Healthy Environment
5. Tourism, Recreation and Health

In delivering our corporate plan and contributing to the delivery of wider government strategy, the Forestry Commission Wales aims to be an organisation that values:

Teamwork - working as teams with colleagues and others to ensure that

trees, woods and forests meet the needs of the people of Wales;

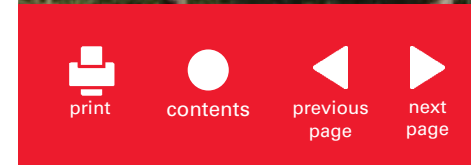
Professionalism - enjoying and taking pride in our work, achieving high standards of quality, efficiency and sustainability;

Respect - treating one another with consideration and trust, recognising each person's contribution;

Communication - being open, honest and straightforward with colleagues and others, always as willing to listen as to tell;

Learning - always learning, from outside Forestry Commission Wales as well as within; and

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



Sustainably Managed Woodlands

the overarching principle



SUSTAINABLE MANAGEMENT OF THE ASSEMBLY WOODLAND ESTATE

CERTIFICATION OF THE ESTATE

We received the draft report from our auditors, Societie Generale de Surveillance (SGS) in November and no new CARs (Corrective Action Requests) have been raised for the Assembly woodland estate. The CARs from our previous audit on Thinning Yield and Natural Reserves have been closed out, with the Minor CAR on Hardwood Data remaining open as expected. We expect SGS to look closely at our Native Woodland and Plantation on Ancient Woodland Sites policy on the next visit as this was highlighted as a key policy gap for management of the estate, during this most recent audit.



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SILVICULTURAL OPERATIONS

Restocking - we achieved a forest regeneration programme of 1620 hectares during the year, through a combination of replanting, management of natural regeneration and seeding. This represents a significant increase on the area regenerated last year (1250 hectares), as well as exceeding our plans for this year. It was decided in-year to re-direct some resources to undertake a larger programme to help ensure that the unrestocked landbank on the Assembly woodland estate is being managed, within specific limits now set as a Key Performance Indicator (Appendix 1). It is anticipated that regeneration programmes will continue at this higher level for two more years before reducing, to reflect smaller clear fell programmes.

Forest Research colleagues have completed a comprehensive survey of our one-year old and five-year old plantations, to assess stocking densities. The provisional results from these surveys, which were last completed three years ago, show that we continue

to suffer significant losses to our one-year old crops, from weevil damage, deer/sheep browsing and competition from weeds. However, there is some encouragement in that the stocking of our five-year old crops has increased by 7.4%, compared to those five-year old crops surveyed three years ago.

An agreement has been reached with Forest Research, which will see 75 hectares of clear felled land treated with entopathogenic nematodes to help control weevil populations in advance of restocking. This mainstream use of biological control has resulted from last year's successful trials and will help to reduce our reliance on the use of chemicals.



Thinning and Low Impact Silvicultural Systems

- The thinning volume for the year exceeded forecast by more than 20% and at more than 250K cubic metres marks a significant achievement for the organisation. This volume represents more than 30% of the total timber harvested and is an indication that policies put in place to meet the target of more than 50% of the Assembly woodland estate being managed via low impact silvicultural systems by 2021 are beginning to pay dividends. Only by timely and adequate thinning will it be possible to manage such a large area of forest under these new systems.

Also during the year, further guidance was developed and provided to staff who plan and manage the Assembly woodland estate. This will not only help to deliver the final target of identifying 50% of the estate for low impact systems but will also help with the more challenging task of embedding the management of such a large area under potentially quite complex systems into our forest planning and operations.



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Sustainably Managed Woodlands

the overarching principle

PROMOTION OF SUSTAINABLE MANAGEMENT IN NON-ASSEMBLY WOODLANDS



BETTER WOODLANDS FOR WALES

Major progress has taken place in the development and introduction of Better Woodlands for Wales, (BWW) which will start to replace the Woodland Grant Scheme from 2006. Elements of BWW were introduced during the year and have been generally well received.

Key elements - The woodland management grants for BWW were finalised and incorporated into the current Rural Development Plan for Wales. In order to provide a smooth transition from the Woodland Grant Scheme to BWW, transitional arrangements were updated during the year. As in the 2004/5 planting season, the supplements for restocking grant were taken up well in 2005/6 (Appendix 4).

Some enhanced woodland improvement grants were introduced and in order to



improve the application process, spreadsheet-based costing models were developed with input from private sector practitioners. These can be downloaded from our website.

Under BWW, grant aid will be based upon management plans. The planning process has been designed to fulfil most of the requirements of the UKWAS standard so that BWW acts as a major stepping stone towards certification. A new on-line computer system integrates the management plan and grant application process. The system will be map-based and will enable us to provide high quality maps and aerial photographs to assist with the preparation of plans. The Land Information Search is now

available on our website and the first stage of the BWW management planning process went live in March. The remaining components needed to get BWW fully up and running will be introduced by July 2006.

Service level agreements have been developed to enable the Deer Initiative and Archaeological Trusts to provide information and advice where deer are likely to have an impact or where there is a significant archaeological interest.

Under BWW, management plans will be prepared by woodland managers who have been trained to prepare plans using the new on-line IT system. Special assessments may be included in management plans when particular



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Sustainably Managed Woodlands

the overarching principle

issues arise. More than 220 people expressed an interest in taking part in BWW either as a management planner or specialist. The first round for the selection of management planners took place during the year. A total of 124 applications were received including 94 for the role of management planner. Of these, 72 were approved and the next round will take place in 2006.

By the end of March, the approved management planners were half way through their five days of initial training. Once trained, management planners will be able to prepare plans on behalf of woodland owners



The Minister will officially launch BWW in July 2006 at the Royal Welsh show. By then the scheme will be fully up and running. Further information about BWW is available on the website, including periodic newsletters. A Guide for Woodland Owners was published in March, coinciding with a number of articles about BWW in forestry journals, raising awareness of the scheme within the forestry sector.

FELLING CONTROLS

We control tree felling in Wales through the issuing of felling licences to ensure that any felling complies with the principles of sustainable forest management and the Forestry Act (1967). In most cases owners are obliged to replant with appropriate species to replace those felled. The majority of felling permissions arise as part of a Woodland Grant Scheme. However, we operate a system of felling licences used when grant aid is not involved. We received 251 felling licence requests during the year and 81 reports of alleged illegal felling. We investigated 69 of

these reports and issued ten warning letters. No cases were brought to court this year. Further information about our performance in processing felling licence requests can be found in Appendix 2.

NON COMPLIANT FELLING CASES BY FORESTRY COMMISSION WALES

The investigation into a major unauthorised felling at Abergwyngregyn was concluded during the year. The area amounts to 16.2 hectares that was felled in three periods between January 2003-April 2003, August 2003 - April 2004, and September 2004 - March 2005. This was a major breach of our internal processes and there has been a thorough de-brief to ensure that the lessons are learnt and that similar incidents do not occur again in the future.

ENVIRONMENTAL IMPACT ASSESSMENT

We administer the Environmental Impact Assessment (EIA) Regulations for forestry projects including afforestation, deforestation, forestry roads and forestry



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quarries. An EIA determination is made on all forestry projects that fall under the regulation. None of the determinations during the year resulted in a requirement for the applicants to produce an Environmental Assessment. We received a single report of alleged infringement, which resulted in us issuing a warning letter to the developer.

WOODS FOR WALES AWARD

We have now been running this competition for six years. The purpose is to showcase, publicise and reward excellence in non-state owned woodland management. The 2005 Woods for Wales competition saw over 70 entries with the result announced at the Royal Welsh Show in July. The winner was a Wrexham-based project, Coed Llandegla.

Planted in 1971, the site has been rejuvenated over the past few years by the management of Tilhill Forestry into a multi-aged, multi-species forest which is now home to the first privately developed mountain bike centre in Wales.

Judges were particularly impressed with the transformation of the forest from a spruce plantation to one in which the original objective of growing timber is still pursued but where opportunities to increase the environmental and social values have also been taken.

Coed Craig Ruperra in Caerphilly and Glasfryn Fencing and Sawmill near Pwllheli were the two runners up.



INFLUENCING AND DEVELOPING FORESTRY POLICY

WOODLANDS FOR WALES STRATEGY PROCESS

Around 140 delegates attended the Woodland Strategy Conference, Working Together to Make a Difference, which took place in January. Our Minister, Carwyn Jones AM, gave the keynote speech in the morning and launched the Woodlands for Wales progress report (2001-2005). Geraint George opened the afternoon's proceedings and other presentations by Professor John Good, Colin Robbins, Dr Tim Stowe and Professor Roger Cooper were given throughout the day. All offered constructive and challenging views on the progress made to date with the 50-year strategy.

Facilitated sessions during both morning and afternoon involved all delegates in discussing and rating progress made in each area of the strategy. Many recommendations for future action were made, and these are being analysed and will be presented to the Woodland Strategy Advisory Panel for members'



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consideration. The Panel will be asked to advise on the level of review that might be required to meet the Ministers request that the strategy be considered for its alignment to the recently launched Welsh Assembly Government's Environment Strategy. The general consensus of the feedback from the conference was for a 'light touch' to be applied as the strategy has a long-term vision. However, there was more appetite for a review of the performance indicators and also for further development of an action plan to help implement delivery.

The event attracted media coverage in newspapers, TV and radio with Carwyn Jones interviewed for a Welsh rural affairs programme at the venue, and Trefor Owen interviewed for BBC Radio Cymru. The general feedback on the day suggested that delegates had found the event useful and stimulating and this is backed up by the information provided on the feedback forms.



WOODLAND DEVELOPMENT AND BIOMASS STEERING GROUP

The Woodland Development and Biomass steering group was formed this year and we have been asked to co-ordinate and manage this process on behalf of the Welsh Assembly Government. The idea for such a steering group was first suggested in the (Farm) Woodland Development and Biomass Action Plan (WDBAP) agreed in 2002. There has been significant progress and activity on a number of agendas closely associated with the Action Plan since 2002, particularly in relation to wood energy, land use and sustainable development. The steering group will still have a role in overseeing delivery of the outstanding actions, as well as contributing to moving this agenda forward.

It has been agreed that the steering group has two main roles:

- 🔧 To monitor and help co-ordinate the delivery of the (Farm) Woodland Development* and Biomass Action Plan
- 🔧 To consider the implications for farm woodland and biomass development



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Sustainably Managed Woodlands

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at a Wales level of any new agendas, policies, initiatives and concerns impacting on this sector at a strategic Wales level.

🌲 for the purposes of this steering group, farm woodland development is defined in relation to the enhancement of on-farm incomes

The group contains policy makers, raw material suppliers, researchers, installers, energy providers, end users, architects as well as support services representatives. It met for the first time in January.



NATIVE WOODLAND POLICY ADVICE GROUP

This policy advice group was established in 2004 to advise on a number of issues related to native woodlands. The group has produced interim papers and reported to the Woodland Strategy Advisory Panel during the year. The papers have developed much needed native woodland definitions to support the biodiversity action plan process and the group has also developed an initial response on the UKBAP review of targets for native woodlands in Wales.

A digitised Ancient Woodland Inventory has been developed in partnership with the Countryside Council for Wales and the Woodland Trust. The intention is to make this readily available to the public, enabling communities and individuals to learn more about their local woodlands and contribute to local authority planning systems.

COMMUNITY INVOLVEMENT POLICY ADVICE GROUP (CIPAG)

We convened the Community Involvement (Forestry) Policy Advice

Group (CIPAG) in May to provide policy advice on two themes:

- 🌲 Policy for community involvement in Assembly owned woodland
- 🌲 Policy for supporting community involvement in non-Assembly owned woodland

The group comprises 20 members, representing a cross-section of the community and forestry sectors in Wales. CIPAG met four times during the year and also undertook several e-mail based policy development tasks. A policy development report, 'Community Involvement in the management of Assembly owned woodland' was presented to us in December 2005. The second and final policy development report, 'Supporting Community Involvement in non-Assembly owned woodland', should be finalised by June 2006.

THE ROBINWOOD PROJECT

This Interreg IIIc project entered a key phase during the year. The project moved from gathering and sharing knowledge and information on forestry



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the overarching principle

issues across the six partnership regions, to tendering within these regions for organisations to deliver a range of sub-projects on behalf of Robinwood. In addition to this, one international conference was delivered and the remaining two were scheduled.

Within Wales, Robinwood has some £200,000 to put towards these sub-projects which focus on assisting forestry policy development and its relevance to other related issues through three main measures (components). By the end of March decisions by all the partner regions, regarding which sub-projects within Wales were known. The ten Welsh-based projects and the delivery organisation are shown below against the relevant Robinwood component.

Optimising forestry development and associated forestry management – (four projects)

- 🌲 Establishing durability and treatment characteristics as a means of realising the potential of locally-sourced timber for regional housing – BRE/Bangor University

- 🌲 Analysis of alternative forest management strategies – Forest Research/Bangor
- 🌲 Joinery grade material from small diameter conifers – Coed Cymru
- 🌲 Impacts of enhancing farm tree cover on woodland habitat networks in Wales – Bangor University

The role that forests and trees may play in the prevention of flooding and soil erosion – (two projects)

- 🌲 An evaluation of the impact of large woody dams in watercourses on flood flows – Forest Research
- 🌲 Effects of tree configuration on rainfall patterns and soil hydrology – CEH/Bangor University

The use of wood and biomass in the production of heat and energy – (four projects)

- 🌲 Lessons learnt from the installation of wood fuel technologies in Wales - Mid-Wales Energy Agency

- 🌲 Wood fuel supply in Wales and the impact of the co-firing, CHP and heat market on regional supply – Bangor University/ENVIROS
- 🌲 Developing best practice guidelines to support small to medium scale wood fuel – Technical Development Branch (FC)
- 🌲 Development of small scale wood fuel pelleting equipment – Coed Cymru

The three international conferences relate to the Robinwood components. The first of these conferences on Wood Energy was held in Brandenburg in May and was attended from Wales by Anthony Bosanquet (Forestry Commissioner), a number of stakeholders and 18 students and lecturers. The second conference on forestry and hydrogeological issues is scheduled for May 2006. The final international conference on Forestry Development will be in Wales during November 2006 and planning for this event is in its initial phase.



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Woodlands supporting effective and durable communities



AFFORDABLE RURAL HOUSING

The development of more, and better, affordable rural housing remains a key priority for the Welsh Assembly Government. We were first asked by our Minister in 2004 to help develop an 'exemplar' model of development using sites identified on the Assembly woodland estate via an initial desk study. During 2005, all local authorities have been provided with a full set of maps outlining the potential of the estate. All authorities have subsequently provided a response to this initiative and 38 sites were shortlisted by our land agents and their local authority contacts. Since this stage, progress has inevitably become slower as detailed discussions with the local authorities, housing providers and local communities have begun.



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Woodlands supporting effective and durable communities

Powys County Council has expressed strong interest in one of the sites within its area and a site meeting with senior council officials took place in February to help move this early candidate forward. As well as this site at Ceinws, two further sites have strong and active local authority interest. We continue to give this important initiative significant management focus to deliver the results required and it will form the basis of one of our Key Performance Indicators for 2006/07.



Additionally, the Building Research Establishment (BRE) has been appointed to develop a scoring matrix that translates the criteria of an exemplar project into a meaningful evaluation tool to allow individual projects to be assessed.

And finally, we have been working on a set of criteria for sustainability and construction of affordable housing on the estate and it is hoped that these will be published later in 2006.

POLICE SECONDMENT INITIATIVE

For many years in South Wales, and particularly the Valleys, crime and anti-social behaviour has hindered our progress in achieving the benefits of an integrated forest estate in relation to delivering community benefits, providing safe access, encouraging tourism and healthy activities, as well as education. It has also been difficult to achieve best value in relation to timber growing due to high levels of criminal activity, most notably arson and theft of operational equipment.

Allied to this reality for the Forestry Commission, tackling crime is one of the top ten commitments, given by the Welsh Assembly Government, in its strategic plan – Wales: A Better Country. Whilst national crime levels have fallen significantly in recent years following a peak in 1995, offences within some Assembly owned woodland are still too high and possibly indicate a reverse trend.

To try to address this issue, we agreed a short-term police secondment with South Wales Police 'G' Division (Neath



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Port Talbot) during the year. This initiative had two aims. First to scope the extent of the problem and secondly to suggest solutions or mechanisms which would assist us and the police in reducing the extent of crime and anti-social behaviour in the extensive South Wales public woodland estate.

More specifically, the objectives of the secondment and the associated report were to:

- 🔧 assess the crime level on the FC managed estate in South Wales
- 🔧 promote partnership and co-ordinate efforts amongst stakeholders to develop better policy on crime prevention and investigation
- 🔧 reduce level of crime within Assembly woodlands

- 🔧 maintain strategic overview of all prevention and investigation matters
- 🔧 develop, monitor and support initiatives aimed at improving crime prevention & detection

During the four-month secondment evidence of 15 types of offences were identified as currently being committed in the public woodlands of South Wales. A number of the crimes being committed feature in the key performance targets of G Division. The secondment also identified uncertainty among some police officers as to the status of the public forest estate and the



police statutory duties and powers. The report sought to quantify the costs of crime and it is estimated to be more than £1M to us alone in terms of measurable costs and losses. On top of this are the costs to other organisations (police, fire service etc.), as well as the wider societal costs, which were not included.

During the secondment period, the officer (PC Andrew Scourfield), made a number of proactive links with other organisations, public and private bodies and the following are a selection of the recommendations from the report:

- 🔧 Improve record keeping and monitoring of crime (FC)
- 🔧 Continue improvement of FC/police working relationship (FC/Police)
- 🔧 Improve communication with FC (Police)
- 🔧 Increase enforcement of byelaws (FC)
- 🔧 Erect security and crime prevention signs in vulnerable areas (FC)

Whilst these suggestions would be relatively straightforward to implement



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and cost effective, they would not in themselves significantly impact on crime reduction.

The key recommendations which it was considered would have most impact, and that would facilitate many of the above suggestions, were:

- 🚒 A dedicated forest crime police officer permanently seconded to the FC to act as a co-ordinator with the

local police divisions in South Wales

- 🚒 Allocate 4 x 4 vehicles to all police stations responsible for policing large areas of forest and rural land
- 🚒 Implement a Forest Watch Scheme to increase the amount of information and intelligence currently passed to police

We have been very excited by the results of this pilot and it is our hope and intention to follow up many of these recommendations from this highly innovative initiative during 2006/07. phase during 2006/07.

FOREST DESIGN PLANNING

During 2005/06 we reviewed 35 Forest Design Plans for the Assembly woodland estate, just failing to meet our target of 40 plans to be reviewed. Those that were reviewed incorporated community and other stakeholder consultations. A number of notable plans were reviewed during the year including:

Wye Valley woodlands – there have been concerns over possible



development plans for a number of these woodlands in the past so there was considerable interest in this review from a number of stakeholders

Ystwyth Valley woodlands – there are strong links to these woodlands from many of the small communities in this valley. The woods are prominent in the landscape and easily accessible. They are also rich in archaeological features and contain many important habitats and species. The redesign concentrated on the high recreation and conservation pressures and significant areas of low impact silvicultural systems have been proposed to deliver the necessary sensitive management and stable landscape.



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Neath Valley woodlands – this review had to contend with strong community interest for a range of local issues, as well as taking into account a number of strategic issues including planning permissions for opencast mining and wind farms.

Hafren Forest – this large, upland conifer forest has been redesigned to incorporate extensive riparian management as well as to phase any remaining clearfelling from the first rotation with UK Forestry Standard benchmarks in mind.

In addition, the first phase of the public participation exercise for the Newborough Forest Design Plan (FDP)

will be concluded at the end of April 2006. This will be the culmination of 18 months work by us, the Countryside Council for Wales and members of the local community. This phase will generate a number of options that will be taken forward for further consultation over the summer months and lead to a draft design plan towards the end of 2006.

TREEGENERATION

Treeneration is an urban forestry partnership, and Phase 1 is mainly about gathering support for a larger national project and establishing a number of flagship sites. At the end of 2004, in partnership with the Countryside Council

for Wales, Flintshire County Council and Wrexham County Council, we appointed a Treeneration Officer for the two counties. The project officer is employed by us and works from our Clawdd Newydd office. Phase 1 is due to end in September 2006 but our partners have indicated that they may be willing to extend funding for a further two years.

The project was set up with a £200K grant from us and gives advice and support to people and groups wanting to plant trees in urban areas of North Wales. This could include school grounds, town centres, public parks and gardens – anywhere, which could be enhanced by the addition of trees.

We have concluded that Treeneration has demonstrated the benefits of working together on urban forestry issues and local authorities are more willing to work together through such an approach. The work of the project is now beginning to pay off and a portfolio of sites have been established, ranging from 25 hectares of new native woodland on a housing development site to single trees in town centres. We will



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be considering our future response to this project later in 2006, in good time for the current project end date of September.

REPORT ON FINDINGS OF VISITOR SURVEYS

Between January 2004 and January 2005 a major forest visitor survey was undertaken at 38 woodland sites [20%

of the Assembly woodland estate]. The survey was designed to:

- 🗺️ Measure the number of visitors
- 🗺️ Obtain information on visitor profiles

The results were published in October and a seminar was jointly hosted with the Woodland Trust to present the results and to encourage discussion with stakeholders concerning the key conclusions.

These conclusions included

- 🗺️ There are 4.1 million visits to Assembly woodlands each year [excluding visits made during major events]
- 🗺️ The most popular activities are walking of one kind or another [72%] and cycling [10%]
- 🗺️ The average spend per visitor was £13 and approximately £30 million was spent by visitors who were influenced to take their visit due to the woodland and its facilities.

WOODLAND DEDICATION AND THE LEGAL RIGHT OF ACCESS UNDER THE CROW ACT (2000)

The right of access commenced in Wales in May 2005 under the provisions of the Countryside and Rights of Way Act (2000). During the year we worked to ensure that the majority of the freehold Assembly woodland estate was dedicated and therefore subject to the legal right of access in perpetuity. By the time all the individual deeds have been registered for dedication this will



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amount to approximately 100K hectares of dedicated Assembly owned woodland.

Our operational teams were trained to administer the requirements of the new statutory regime in respect of forest operations and our Grants and Licences team began to deliver our Relevant Authority function for the consideration and approval of exclusions and restrictions to all dedicated woodland in Wales.

OFF-ROAD MOTORCYCLING INITIATIVE

Unlawful off-road motorcycling has become a major issue in Wales during

the past few years, both in our communities and in the open countryside, including Assembly owned woodlands. The negative feeling from the general public towards off-road motorcycling as an activity has escalated at the same time as the interest in undertaking the activity has risen with a substantial year on year increase in bike sales. To communities and those who enjoy peaceful recreation, the activity has often been seen as uncontrolled, dangerous, anti-social and intrusive as well as damaging to the environment. To motorcycle users it has been seen as an opportunity to develop independence, mobility, friendship, excitement and skills.

Many users have been undertaking the activity lawfully, on authorised private sites or on public by-ways, but an ever-increasing usage has been unlawful. Of particular concern has been the riding on unauthorised routes or land and also the use of untaxed, uninsured or unsuitable machines, often with no training.

While most would agree that something needed to be done, there had tended to be little consensus or co-ordination towards finding solutions, with both positions appearing to be irreconcilable. Therefore in May 2004, we as Wales's single largest land manager, together with the Countryside Council for Wales (CCW), with responsibilities for access issues in Wales, co-hosted a major conference with the objective of exploring opportunities for structuring and managing the activity for the benefit of both positions.

More than 200 delegates attended the conference and our Minister, Carwyn Jones AM, gave the opening address. The conference explored the issues from the perspective of users, landowners, enforcers and providers and resulted in



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19 separate recommendations being made. The conference agreed that the conference steering group should continue and work to take forward the conference recommendations.

Since the conference, the strategic steering group has continued to develop and two new groups looking respectively at 'provision' and 'education and enforcement' have been established.

Steering Group -The group has met regularly and representation has been strengthened. Specific progress can be summarised as follows:

- 🚩 Meeting with Welsh MPs in Westminster to raise awareness and seek support for the development of wider provision as well as identification and adoption of best education and enforcement practice.
- 🚩 Research that identified that very few local authorities have any strategic plans to consider provision. Indeed there is no incentive or requirement for them to do so. The group has identified that there needs to be national guidance to local authorities to encourage the provision of sites.



- 🚩 The DVLA provides and has been promoting the opportunity for voluntary registration of off-road motorbikes. It identifies that there is considerable opportunity for expansion of voluntary registration
- 🚩 Input into DEFRA's policy development for England and Wales, in relation to off-road motorcycling.

Provision Working Group -The group has met regularly and is encouraged by the growing support and increased membership. Progress is being made in Swansea, Neath Port Talbot, Cardiff and Bridgend. Wider involvement is being encouraged throughout Wales. Commercial operators are also expressing interest. There are also opportunities for the voluntary/charitable sector to be involved, particularly those working with the young or disadvantaged. Part of the key to further progress will be resolution of certain issues requiring Assembly support or guidance. The mechanism to seek this support is through the steering group.

Provision is identified as being needed in two distinct situations:

- 🚩 Local sites on private or public land where off-road motorcycling can be undertaken
- 🚩 The development of a comprehensive and properly signed route network across Wales for trail riding (similar to the Sustrans cycle network).



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Education and Enforcement Working Group

Group – The group, chaired by a representative of Denbighshire County Council, includes representatives from the Police Service in Wales, DVLA, the Countryside Council for Wales, motorcycle manufacturers and users, as well as Forestry Commission Wales. While there has been an emphasis on enforcement, the group sees the need to progress education, training and the communication of what is and what is not permitted.

CYDCOED

Cydcloed – Woods for all is a grant programme funded by the European Union (Objective 1) and Welsh Assembly Government that provides support and up to 100% funding to community groups throughout the Objective 1 areas of Wales to help them deliver projects that use woodland for community development. Cydcloed Phase II (a £12M programme) started in 2003 and will finish in 2008. Highlights during the year included:

Pontygaith Nature Reserve – This project worth £141K was developed by



Merthyr Tydfil Anglers Association and was the first project to be approved under Phase II.

Penmachno Mountain Bike Trail – Loop two of Menter Bro Machno's Penmachno bike trail was given the go ahead following approval of an additional £245K of funding. The proposal from the community group included the following statement:

'private investors who recently purchased the old post office [with the intention of] opening a shop, post office and internet café [said] that their project would not be going ahead if it were not for the additional customers the new trail developments would bring.'

Mount Wood, Pembrokeshire - The Mount Community Association in Milford Haven won a Young Movers National

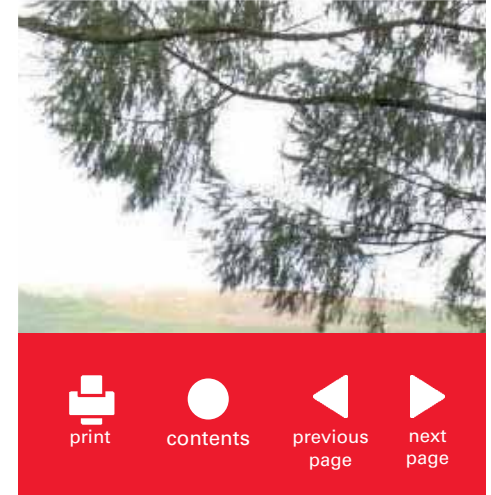
Community Project Award for its 'Wild Ones' woodland passport scheme - part of its £250K Cydcloed funded project.

Glan Morfa Rhyll - This £253K project to create new woodland on an old landfill site in Rhyll West, developed by Marsh Community Association, was launched. This project benefits the most deprived ward in Wales (Welsh Index of Multiple Deprivation 2000).

Croesgoch School, Haverfordwest –

Our deputy Minister, Tamsin Dunwoody AM, joined the children of Croesgoch School as work started on their £15K project to create a wildlife wood near the school.

Also of note, but not a highlight, was the rejection of a £200K bid for an equestrian project by Arena Wales Cymru in Pontardawe on the basis that the potential community and tourism benefits of the project were not in proportion to the level of investment proposed. This was only the third time a full Cydcloed bid has had to be rejected with over 100 projects completed or in progress at the time.



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WOODLANDS FOR LEARNING

Whispers in the Woods - In October, the Woodlands for Learning team held its fourth annual conference, 'Whispers in the Woods'. This was a conference aimed at Year 6 children (10 and 11 year olds) and

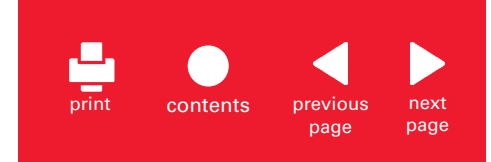
was held at Plas Tan y Bwlch, the Snowdonia National Park Study Centre in Maentwrog. The topic of the day was looking at forestry in other countries and comparing this to forestry in Wales. Snowdonia National Park education staff also worked with our Education staff

during the day, which was considered a great success by participants. Publicity achieved included articles in the Times Educational Supplement, Cymru and the Education section of the Western Mail.

Woodlands for Learning Forum - Our Woodlands for Learning Forum met with Jane Davidson AM, Minister for Education and Lifelong Learning in February. The Minister has been very supportive of using woodlands as a learning resource in the past, and this was an opportunity to feed back on the work of the forum, progress on education under the Woodlands for Wales strategy and also to update the Minister on work proposed in the future.

The meeting covered three main areas:

- 🌲 Support for outdoor provision for ages 3-7 which is a mandatory element of the new Foundation Phase (which replaces early years and Key Stage 1 - ages three to seven and has a greater emphasis on play and use of the outdoors), providing advice to schools who need to gain further skills in working with children in the outdoors



Woodlands supporting effective and durable communities

- 🌲 Looking at the development of career pathways for 14 to 19 year olds, particularly courses focusing on forestry and craftskills
- 🌲 Development of a training and resource base for the Forest School approach; exploratory discussions are currently taking place with Trinity College, Carmarthen

The Minister explained that the timing of the meeting was useful, with the Foundation Phase beginning to be rolled out to all primary schools. She also explained that our work fitted in well with the Education for Sustainable Development and Global Citizenship agenda and that she was keen to hear about further developments, agreeing to an annual meeting with the Woodlands for Learning Forum.

WALES RALLY GB

Our close co-operation with the Rally organisers, the Welsh Development Agency and the Welsh Assembly Government culminated with the staging of Wales Rally GB 2005, round 12 of the World Rally Championship. The majority



of the Rally took place within Assembly woodlands, covering nearly 200 miles of forest roads.

This event was overshadowed by the tragic death of a co-driver whilst competing, which led to the cancellation of later stages and a premature finish to the Rally. We co-operated fully with the police and rally organisers in their investigations into the accident. The driver of the car was uninjured and no other parties were involved.

The Minister for Economic Development

and Transport, Andrew Davies AM, has announced that as part of governments Motorsport Initiative, it will continue its support for the event for a further five years until 2011. As the Assembly woodlands and roads will continue to be core to the event, this will provide many challenges and opportunities for us in the coming years.

VISITOR CENTRES AND RECREATION FACILITIES

Nant yr Arian Visitor Centre – Economic Development and Transport Minister, Andrew Davies AM, opened the new centre in June. The site was fully open before the official opening and has been attracting a wide range of users throughout the year. There is an ongoing programme of partnership events, mainly with RSPB and the centre has won much praise for its design and its many sustainable features. The collaboration with the RSPB has enabled us to provide an enhanced customer service and increased the specialised knowledge available on site, in particular about the Red Kites, which provide a truly memorable spectacle at their daily feed.



Woodlands supporting effective and durable communities

Coed y Brenin Visitor Centre - This year has seen the near completion of the new visitor centre in Coed y Brenin. This is a £1.6M part-European funded project, which is not only providing a new centre but also new trails and facilities in other parts of the forest. The current centre at Maesgwm has seen two changes in tenants due to its short-term future but we have managed to maintain an on-going service until the new centre becomes operational. The new centre has already secured the European launch of the new Shimano gear-train for mountain bikes, an event which will help to raise the profile of the new centre throughout Europe.

CYCLING

This year has seen a number of developments in our cycling provision. A new downhill route was opened in Cwmcarn. At Coed y Brenin new links to the cycle trails have been created and some new sections of trail have been added as part of the visitor centre developments, and the first trail in Brechfa Forest is due to open in July 2006. Work

has been undertaken to ensure that all the trails are maintained and inspected however numbers of users are fluctuating. Numbers at some of the mid and North Wales trails are static whilst the South Wales trails are generally seeing large year-on-year increases.

Our Minister, Carwyn Jones AM, officially opened the Glynorrwg Mountain Bike centre and the associated trails in Afan Forest Park in June. The trails and centre were funded jointly by Cydcoed, Adfywio and Neath Port Talbot Council and the centre is operated by the local community group and associated company.

HORSE RIDING

Both the Rainbow Trails at Dyfnant near Welshpool

created through a partnership with the Dyfnant and Vyrnwy Horse Riders and Carriage Drivers Association and also The Crychan Forest Trails created through a partnership with the Crychan Forest Association were officially opened.



An outdoor ménage has been opened in the woods near Penmachno in North Wales, created through a partnership with Menter Bro Machno Equestrian Group, which has enabled a local branch of the Pony Club to be set up.

And finally, a groundbreaking concordat with the British Driving Society in Wales was launched at the Royal Welsh Show in July. The purpose of the concordat is to strengthen the collaboration between the two organisations in Wales and to increase the number of safe horse carriage driving routes in Assembly woodlands. The concordat will be reviewed biennially.



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Woodlands making a positive contribution to a thriving and sustainable Welsh economy



TIMBER PRODUCTION, MARKETING AND PRODUCTION FORECASTING FROM ESTATE

HARVESTING AND MARKETING - The timber volume sold from Assembly woodland estate during the year was 808K cubic metres – this represents +4.9% to business plan but is within the Key Performance Indicator tolerance. All additional volume has been generated from thinning operations. Not only is this a significant achievement in getting the estate silviculturally thinned, but it has also been welcomed by the industry, in particular the fencing sector, which experienced very buoyant demand from its customers throughout the year.

Indeed, demand outstripped supply throughout the year for all product specifications. During the last quarter the private sector did not release the expected volumes of timber and this put increasing pressure on our sales as mills began to build stocks and finished products to respond to the forecast Spring demand. We had to hold most customers strictly to contract to remain within our performance measures.



Woodlands making a positive contribution to a thriving and sustainable Welsh economy

We held our first electronic timber sale (e.sale) in March and this proved very successful, underlining the overall demand situation. We have also seen increasing activity with the developing biomass sector and we are increasingly working through our Wood Energy Business Scheme to assist projects. We have also progressed the Wales brash baling trial in conjunction with Tilhill Forestry and expect to see the trial begin in April 2006.

Timber Marketing Strategy - During the year, we developed a strategy for the future marketing of timber from Assembly woodlands. The draft strategy was discussed with all our current timber customers either as individuals or through their relevant representative group and the finalised document covers the period 1 April 2006 to 31 March 2011. The strategy



sets out timber availability for the five-year period as well as covering communications with customers and our approach to long term contracts and a number of other relevant issues. There are also statements concerning our commitment to helping to unlock the significant private sector timber volumes in Wales.

Any updates to the strategy before 2011 will be discussed with the relevant representative bodies and the full document can be found on our website.

WALES FOREST BUSINESS PARTNERSHIP

The Wales Forest Business Partnership (WFBP) is a voluntary grouping of businesses and other organisations across the forestry sector that has been established to help achieve the objective of Woodlands for Wales in having world-class forest product industries. Its members believe that collaborative



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Woodlands making a positive contribution to a thriving and sustainable Welsh economy



activities undertaken by the partnership will strengthen the competitiveness of their businesses and the forestry/wood processing/wood-using sector as a whole. The partnership came about as industry stepped up to the economic challenges presented by the Woodland for Wales strategy. An industry study was initiated in 2003 and was undertaken by international timber industry consultants Jaakko Poyry and SE Wales-based Froben Ltd on behalf of the Welsh Development Agency and Forestry Commission Wales. Its purpose was to map out the dynamics and economics of the complete wood chain in Wales and to benchmark these components against international competitors in order to understand what was world class, what is not, and what could be done to ensure Wales was

indeed a location for world-class forest industries. One of the recommendations of the report was to develop a business-led leadership group to take on the issues and actions identified by the industry itself. This group was tasked to direct the partnership in delivering projects and programmes by working together, and with the public sector bodies, primarily ourselves and the Welsh Development Agency (WDA). During the summer of 2005, WFBP hosted a series of workshops for business leaders. The purpose of these events was to widely communicate the findings of the report, discuss the concept of cluster and partnership working in the sector and develop the themes from the study in



priority action areas. Significant progress was made, with a remarkable level of agreement across the industry sectors, and between large and micro businesses. Key industry leaders were invited to form the leadership group, and three priority action areas were developed for this group to work on:

- 🔥 Marketing and innovation
- 🔥 A 'knowledge hub'/one-stop information and support
- 🔥 Informing and influencing the National Assembly and Welsh Assembly Government

The leadership group met formally for the first time in September and Kevin Lyden (of UPM Kymmene) was invited to chair the partnership. At this first meeting, two task groups were formed and have been working on the marketing and knowledge issues, in order to put together some practical, effective projects to be implemented by the partnership. The task groups have consulted widely with other stakeholders, especially those with specific experience or expertise in these areas.

In order to support the voluntary and part-



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Woodlands making a positive contribution to a thriving and sustainable Welsh economy



time inputs from these groups, we and the WDA have jointly funded some external consultancy work and this has recently been delivered to the leadership group. The full-time project manager, Kieran MacDermott is leading the work to pull the findings together into a package of costed deliverables that will aim to bring further value into the Welsh economy through this sector. This is a challenging task, as any activity must also prove to be commercially viable for all

concerned – effectiveness and sustainability being the key drivers for WFBP activities.

We are pleased with the progress made by the partnership throughout the year and will continue to support appropriately this initiative that will only succeed in the long-term if it is genuinely private sector led.

THE GATE PROJECT

This project has now been running for 18 months and is becoming well established. Activities are contributing to achieving the project objective of raising awareness of the link between timber, sustainable construction and sustainable regional development.

The second GATE conference was held in Thuringia, Germany, at the end of September, with the theme being issues of perception. In addition, a seminar on designing for fire safety was held in Estonia earlier in September, and a seminar on the use of glued timber was held in Slovenia in November. The third conference, on the theme of economic issues, will be held in the Pomorskie Region of Poland at the end of May 2006. A series of focus groups, comprising partners and stakeholders from different regions, are being arranged to provide an opportunity to present their findings to the conference.



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Woodlands contributing to a more **healthy and resilient environment**



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ENVIRONMENT STRATEGY

The Welsh Assembly Government finalised and published its Environment Strategy during the year. The strategy forms a key part of the Assembly's programme for delivering sustainable development. It deals with crosscutting issues such as climate change, the contribution a diverse and beautiful environment makes to Wales's economic well being, as well as investigating ways to recognise and enhance the quality of life of the people in Wales. Michelle Bromley from our policy team was seconded part-time to the Assembly based team that drafted the strategy. This team included staff from the Assembly itself as well as from the Environment Agency, the Countryside Council for Wales and the Wildlife and Countryside LINK (RSPB nominated) and Forestry Commission Wales. The Action Plan for the strategy identifies a number of woodland sector related actions and identifies roles for both the FC, as well as the Woodland Strategy Advisory Panel.

Woodlands contributing to a more healthy and resilient environment



WOODLAND HABITAT NETWORKS

The woodland resource of Wales is heavily fragmented and this has major implications for biodiversity as populations become unsustainable and species movement is interrupted. The impacts are likely to be compounded by climate change. Forestry Commission Wales and the Countryside Council for Wales commissioned research in 2004 to study woodland habitat networks in Wales. The

research initially looked at the current distribution of woodlands and other habitats in Wales and the Phase 1 report suggested ways in which habitats could be altered or improved throughout Wales to best benefit functionality and robustness of the habitats themselves and the species living within them. The work identified the 20 largest 'functional networks' of ancient woodland and all broadleaved woodland, based on

assumptions for generic focal species.

We commissioned a Phase 2 to the research, again in partnership with the Countryside Council for Wales. The aim of this phase is to explore the impacts of a woodland habitat network approach on open ground habitats and species to ensure there is no conflict. We also asked the researchers to further investigate the opportunities presented by 'latent' networks, which in some cases offer significant potential for major functional networks to be created through a targeted approach to intervention. It was always our intention that the work we commissioned from Forest Research would be applied in nature and that we would quickly move from the research phase to the implementation phase. With this in mind, both our Estate Management and Grants and Licences teams began to use the research to influence planning and prioritisation of habitat restoration work, as well as the development of the new grant scheme, Better Woodlands for Wales. Later in 2006 we plan to disseminate the work more widely to both the policy maker and practitioner audiences.



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Woodlands contributing to a more healthy and resilient environment

'RECLAIMING OUR FORGOTTEN INHERITANCE' PROJECT

During 2005 we were successful, with the support of the Woodland Trust, the Forestry and Timber Association and the Countryside Council for Wales, in bidding for European Union (Objective 1) match funding for the £2.3M Reclaiming our Forgotten Inheritance (RoFI) project. RoFI aims to begin the restoration across a significant area of the Plantations on Ancient Woodland sites (PAWS) across Wales. Many of these ancient woodland sites, planted with conifers in the 1950s and 1960s, are due to be felled in the next ten years. For restoration to succeed and the ancient woodland flora to make a return and thrive, it is essential that the clearing of the conifers is done gradually. This process will have the added benefit of producing better quality softwood before the sites are fully restored to native hardwood species.

The project was officially launched by our Minister, Carwyn Jones AM, at the Royal Welsh show in July and aims to begin the restoration process of 5000 hectares of PAWS in Assembly woodlands and offer

up to 75% grant funding for around 400 hectares of restoration in privately owned woodlands. By completion, the project will have helped start the restoration of around a quarter of all PAWS in Wales.



MEIRIONNYDD OAK WOODS HABITAT MANAGEMENT PROJECT

The Meirionnydd region of North West Wales is home to some of the best woodland in Europe. This unique habitat is rich in biodiversity and is highly valued by the local people as a place of work and a place of unrivalled beauty to relax in. Few areas can boast beautiful beaches, cliffs, valleys, rivers, woodlands and mountains all within a ten-mile radius.

The woodlands are now the focus of an

innovative partnership working to restore, protect and expand them - the Meirionnydd Oakwoods Habitat Management Project, with a budget of £2.3M including £1.1M of European Union (Objective 1) funding.

The partnership seeks to care for the oak woodlands of Meirionnydd, promoting their importance to the local community, their visitors, the economy and the environment. We are the lead partner and the Countryside Council for Wales, Ffestiniog Railway, The National Trust, Woodland Trust, Snowdonia National Park Authority, Flintshire Woodlands and Tilhill Forestry Ltd make up the wider partnership. Lord Dafydd Ellis-Thomas launched the project in Meirionnydd in May and practical work on the ground has started in both public and private sector woodlands, as has the education programme, which seeks to involve communities in using, valuing and managing woodlands.

The work has begun to bring new employment to communities, enrich wildlife habitats and improve access to the forests.



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Woodlands contributing to a more healthy and resilient environment

AREN'T WELSH BIRDS BRILLIANT!

This is an RSPB-led European Union (Objective 1) funded project with aims to protect and help the recovery of seven species of birds in Wales, including Black Grouse. The project has won plaudits throughout the year as an exemplar of how to plan and manage a large EU project with partners. We are a main partner and will have contributed £300K from 2003 to 2006 for the Black grouse recovery element of the project. RSPB held a conference in Cardiff at the end of March to celebrate and share how the success was achieved and delivered. A wide range of delegates from Wales, the UK and the EU attended.

BLACK GROUSE

Recent national publicity has shown that Black Grouse numbers in Wales have increased by 39%, whereas numbers have dropped in Scotland and England. During the year we have concluded the work in Clocaenog Forest to create and and manage key areas of Black Grouse habitat. We spent £55K from the European Union (Objective1) Hiraethog

Conservation and Landscape Project on re-spacing the edge of the forest along the favoured Black Grouse area to improve the habitat for this endangered species. More than 160 hectares of the forest is now managed principally for this species and it is now considered to provide some of the best Black Grouse habitat in North Wales.



RIVERINE HABITAT IMPROVEMENT PROGRAMME

Both the Riverine project and the Environment Agency *Fishing Wales*

projects completed most of their works during 2005/06. Key catchment operations were implemented in the Tywi, Dee, Ogmore and Mawddach rivers. Work included the removal of coniferous natural regeneration from the riparian woodlands, the removal of in-stream barriers and the removal of stands of Western Hemlock which provide the seed source for unwanted natural regeneration.

The *Fishing Wales* project held a publicity event in October in Dyfi Forest. We and our partners the Environment Agency, led this event at which we publicised completed buffer zone habitat works alongside key fishery rivers. Many interested parties attended including anglers, conservation stakeholders, Lord Dafydd Ellis-Thomas and members of our own National Committee.

We continued to enhance riverine habitats with the Environment Agency (EA) through EU-funded and Assembly-funded projects in all our forest districts.



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Woodlands contributing to a more healthy and resilient environment

RENEWABLE ENERGY INITIATIVES

Wood Energy Business Scheme (WEBS)

- The Wood Energy Business Scheme (WEBS) continues to support a number of woodfuel heating and processing projects throughout the Objective 1 area, as well as in Powys. Highlights during the year include the commissioning of Powys County Council's Llandrindod Wells site. This is a 450kW-woodchip boiler that will provide heating and hot water to the high school and leisure centre. A woodfuel supply contract has been awarded to S&C Bufton, a local sawmill who are also receiving support from WEBS for the purchase of a new fuel chipper. By the end of the year, WEBS had approved 46



projects, which include two small-scale Combined Heat and Power projects, nine wood processing projects and 35 wood fuel heating systems. All the approved projects vary in size and character. At the small scale we have supported both pellet and chip boilers in country hotels and visitor attractions. And at the larger scale, several industrial applications from manufacturing companies who are re-using

their own co-product as fuel on site have been approved.

Wind Energy - The Welsh Assembly Government finalised its planning guidance to local authorities on renewable energy in 2005 [Technical Advice Note: 8]. This guidance states that the planning system has an important role to play in achieving the government's renewable energy targets. In the case of onshore



Woodlands contributing to a more healthy and resilient environment

wind, the guidance highlights that this energy source has the greatest potential for an increase in the generation of electricity from renewable energy in the short to medium term. Technical work leading up to the formulation of the guidance concluded that for efficiency and environmental reasons amongst others, large scale (over 25MW) onshore wind developments should be concentrated into particular areas defined as Strategic Search Areas (SSAs). Seven SSAs have been identified around Wales and 57% of the land contained within the areas is Assembly owned woodland, managed by Forestry Commission Wales. A further percentage is privately owned woodland.

Our National Committee concluded that we needed a coherent and agreed response to this guidance for two main reasons. First we need to do everything we can to facilitate delivery of the renewable energy targets on land which we manage on behalf of the Welsh Assembly Government. Secondly as a modestly sized organisation of relatively limited capacity, we needed to put in place a process that allowed us to handle the inevitable interest from onshore wind developers. In July the committee

agreed to launch the National Forest Estate Wind Farm Programme to deliver these two requirements.

The strategy within this programme is to put in place a two-stage process. First a tender stage, with the aim of awarding a sole 'option to develop' to an individual bidder for all the Assembly owned woodland in each SSA. In stage two, these options will give the successful developer the right to develop proposals for wind farms on these areas and, if successful in gaining planning permission, then the Minister will grant the necessary long-term lease.

To allow the Forestry Commission to develop and manage this programme on behalf of the Welsh Assembly Government, a section 41 [Government of Wales Act 1998] has been agreed between the Forestry Commissioners and the National Assembly for Wales. In essence, this allows the Forestry Commissioners to exercise certain functions of the Assembly, including disposal of land for non-forestry development, on its behalf.

The tender under the wind farm programme, although not technically a

government procurement, is being run under similar principles agreed at a European Union level between member countries. As part of this tender stage, a pre-qualification exercise was implemented. More than 30 responses were received to a pre-qualification questionnaire and 10 companies have been invited to tender, with final bids to be received later in 2006.

PLANT HEALTH

Sudden Oak Death is the commonly used name for *Phytophthora Ramorum* a disease which affects a range of tree and shrub species and has been found on shrub species in a number of nurseries and garden centres throughout Wales. It has also been found on shrub species at a limited number of open garden sites in South Wales, mainly around the Swansea area but also including Cefn Onn (Cardiff), Gnoll Park (Neath) and Colby gardens (Narbeth). The main sites are in Clyne gardens and Singleton gardens, where 51 cases have been found since 2003. These cases have been identified by Plant Health Inspectors working for DEFRA.

Another disease *Phytophthora Kernovii*



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Woodlands contributing to a more **healthy and resilient environment**



has also been identified (only found so far in Cornwall and South Wales) which also inhabits the same site types and affects both trees and shrubs - 39 cases have been found to date, only in the Swansea area. Forest Research conducted an extensive survey of woodland in Wales containing rhododendron in 2004 based on ten kilometre squares and has since started a rolling programme of 20% of squares annually in 2005. To date no cases of either disease have been found by this survey.

A management group has been set up to oversee control measures being undertaken currently with the Swansea outbreak. We have joined with Swansea City Council to eradicate the wild population of Rhododendron Ponticum within the Clyne valley woodlands, which is seen as the major host for this disease. This work will hopefully prevent the pathogen from building levels of inoculum up to a level that will then become a threat to the native trees on site. Work is being funded through the Woodland Grant Scheme for the removal of invasive non-native weeds, in what is a very important native woodland.



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Services, Capacity and Capability



CUSTOMER SERVICE CENTRE

Our Customer Service centre went live in August when all call handling for the National Office was transferred to the centre based at our Llanrwst office. The service was also rolled out to our Welshpool office later in the year. The intention is that by the end of 2006 all of our offices will be covered by the Customer Service Centre and at that point we will have a single contact number for all our customers. The service centre allows for efficient call handling and a better 'first stop shop' for customers as well as more rigorous follow-up of customer requests.

It is still early days for this development and the rollout has not been without its problems. However, this development has much potential to improve customer service in years to come and we hope that our gradual approach to its development and use will allow us to win the many potential benefits over time.



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Services, Capacity and Capability

FREEDOM OF INFORMATION AND ENVIRONMENTAL INFORMATION REGULATIONS

This year was the first full year of the new statutory information regime. Our predictions of a manageable casework have proved to be correct throughout much of the year. We have taken a pragmatic approach to recognising requests for information and attempted a 'business as usual' approach whenever possible as the organisation was already providing much information on a routine publication or request basis.

Our caseload did step up significantly in February and March as we received a number of detailed and complex requests from companies participating in the National Forest Estate Wind Farm Programme tender exercise. Some of these requests required us to seek legal advice and a number remain to be dealt with at the year-end.

CROSS COMPLIANCE SERVICE LEVEL AGREEMENT

As part of the ongoing reform of the

Common Agricultural Policy, it has become apparent that we have a role to play within the new Cross Compliance regime for Wales through our woodland officers and the wider Grants and Licences team. This regime ensures that farmers receiving the single farm payment comply with the definition of good agricultural and environmental condition and the relevant regulations (in our case, the Forestry Act and Environmental Impact Assessment). We have agreed a service level agreement with the Welsh Assembly Government that sets out the responsibilities of both parties in these new arrangements. This development should help significantly with future enforcement of felling licence conditions and other regulatory matters.

FORESTRY COMMISSION WALES REGIONAL ADVISORY COMMITTEE

The committee was convened once during the year in June to offer advice to our Grants and Licences team regarding an application to fell a further thirteen 180+ year old oak trees at Dolobran Hall, Powys. The committee was formed from

members of the Woodland Strategy Advisory Panel and was asked for advice on a number of specific questions. The committee's unanimous advice was that the felling licence should not be approved, primarily on biodiversity grounds and because the application appeared, in fact, to be an extension to the original application and the advice was given in this context. We had approved the original application to fell 60 trees out of 101 total



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trees less than 18 months earlier, after much initial discussion with the agent.

STAFF SURVEY

Our second staff survey was conducted during May and the results made available in July. It has been possible to compare progress against the original staff survey conducted in 2002. This survey is not compulsory but responses are anonymous and time is set aside for those members of staff who wish to participate. Participation levels compared favourably to the first survey. Progress has been made on a number of issues including most notably the understanding that staff have of how their work fits into the bigger picture of the organisation, on performance management standards and on some of the key indicators of the strength of relationships with line managers.

However, there were disappointing results on some key measures of leadership, managing change and internal communications where there has been slippage since the first survey. Unit managers have developed local action plans to help address these areas of



poorer performance and many of the proposed actions have begun to be delivered throughout the year.

OTHER HUMAN RESOURCE INITIATIVES

During the year, a sample of staff were interviewed across the organisation as part of our *Investors in People* (IiP) assessment. In addition, an external board has assessed the Forestry Commission and concluded that we have been successful in maintaining the principles of the IiP standard and therefore our accreditation will continue for a further three years.

A new initiative was launched across the Forestry Commission during the year, which focused on the wellbeing of our staff. Our interpretation of this initiative, *lechyd Da!* (Your Good Health!) has been a high priority throughout the year. Through the initiative we have provided advice about what to look out for and who to speak to concerning medical issues and we have also given staff opportunity to improve both their diet and exercise habits. We have financially subsidised a number of these ideas including health checks,



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gym membership and outdoor activities.

We have also developed our thinking on how best to address a long hours culture among some of our staff as well as focusing on the management of sick absence. We identified the latter as a Key Performance Indicator for the year and met our target, in part, by a more consistent approach to this issue. Our performance on this issue is well above the average across the public service and it is our intention to maintain this position through continued careful management.

WELSH ASSEMBLY GOVERNMENT OFFICE – ABERYSTWYTH

During the year, the Welsh Assembly Government announced that Aberystwyth was to be the location for its new mid-Wales office. The office is scheduled to open sometime in 2008 and as well as accommodating Assembly government posts that will be re-located from Cardiff, all of the existing West-mid Wales Assembly-sponsored and funded public service organisations will move into the new building. This includes our National Office staff in Aberystwyth and possibly



our local operational staff as well.

We have sought to help facilitate this development by accommodating the Assembly government relocation team in our current National office. We have also aimed to fully involve ourselves in the design process for the new building to help ensure our staffs considerations and concerns are taken into account and also to promote the maximum use of wood for both building and heating the new office. To this end, Jon Westlake represents us on the Senior User group for the new office and Bill MacDonald, our Timber Marketing Officer, chairs the Customer Reference group comprising representatives from all the organisations scheduled to move into the new building.



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Appendix 1

2005/06 Performance Reporting

FCW Work Area	FCW Key Performance Indicator (KPI)	FY2005/06 - Targets	Result
FCW Finances	1. Outturn compared to budget	Between 95% and 100%	Achieved
	2. Welsh Assembly Government Funding	Live within 1% of Assembly Cash Limit	Achieved
FCW Human resources	3. Investors in People accreditation	Maintain certification	Achieved
	4. Staff turnover	Between 6% and 12%	Achieved [6.5%]
	5. Staff absence days per staff year	< 8.0	Achieved [7.9]
	6. Staff accident rate (accidents per 100 employees)	0	Target not met [0.86 accident rate]
Sustainable management of the Assembly Woodlands	7. UKWAS Certification of Assembly Woodlands	Maintain certification	Achieved
	8. Total volume harvested	± 5% of 770,000 m3 obs	Achieved [801,751 m3 obs]
	9. Volume from clearfell	± 10% of 570,000 m3 obs	Achieved [549,140 m3 obs]
	10. Volume from thinning	± 200,000 m3 obs	Achieved [252,611 m3 obs – upward variance agreed in year]
	11. Timber Customer Charter	Adhere to charter	Achieved
	12. Area restocked	± 5% of 1500 ha	Achieved [1620 ha – variance agreed in year]
	13. Current land bank	Below 3.5 years	Achieved [3.5 years]
	14. Number of completed Forest Design Plans	40	Target not met [35 Plans reviewed]
	15. Number of cases of significant non-compliance with approved design plans on the Assembly woodland estate	Zero	Target not met [1 significant case occurred at Abergwyngregyn]
Recreation and access on the Assembly Woodlands	16. Number of visits to Assembly Woodlands	No target	4.1 million
	17. Percentage of SSSIs[1] on estate with approved plans (new designations must have plans within 9 months)	100%	Target not met [67% of SSSIs have approved plans – Additional management resources have been deployed for 2006/07 to rectify this situation]
	18. Percentage of SAM[2] on estate with approved plans (new designations must have plans within 9 months)	100%	Target not met [97% of SAMs have approved plans]



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¹ Sites of Special Scientific Interest ² Scheduled Ancient Monuments

Appendix 1

2005/06 Performance Reporting

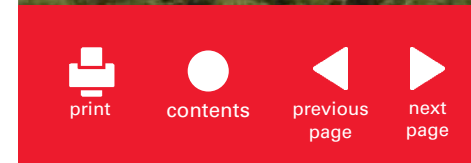
FCW Work Area	FCW Key Performance Indicator (KPI)	FY2005/06 - Targets	Result
Grant-aid for woodlands outside the Assembly Woodland Estate	19. Grant spend as a proportion of our grants budget	± 5% of budget	Target not met [+ 22.6% of budget – this figure includes significant development costs for the new grant scheme]
	20. Area of woodland under approved grant schemes	Same as 2004/05	Achieved [49,991 hectares]
	21. Percentage of grant applications processed within 11 weeks	90%	Target not met [62%]
	22. Percentage of grant claims processed within 28 days	100%	Target not met [87%]
Regulation of Woodland operations in Wales	23. Percentage of cases of alleged illegal felling that are investigated by G&L	100%	Achieved
	24. Success rate of illegal felling cases that are taken to court	100%	Achieved [no cases during the year]
	25. Number of EIA determinations that required an Environmental Statement to be prepared	No target	Zero
	26. Number of EIA stop notices and enforcement notices issued	No target	1

Green means the target was achieved

Yellow for those indicators that are used to report activity only (no target set)

Red means the target was not met

Further narrative on performance can be found in the relevant section of the main report



Appendix 2

Key Staff and Customer Statistics

TABLE 1 – KEY STAFF STATISTICS

Year	2005/06	2004/05	2003/04	2002/03
FC Staff in Wales*	392	415	434	416
FC Wales Staff Numbers	350	370	382	369
Staff Absence Rate**	7.9	8.6	8.3	7.4
Welsh Speaking Staff***	106	113	119	124

* includes Business units but excludes Forest Research

** average days absence per staff member per year

*** fluent speakers

TABLE 2 – ACCIDENT RATE FOR EMPLOYEES AND MEMBERS OF THE PUBLIC DURING 2005/06

Year	No. of accidents per 100 employees	Accidents reported by members of the public		
		By type		Total
2005-2006	0.86	Cycling	40	52
		Slips & Trips	6	
		Play Equipment	0	
		Other	5	
		Horses	1	
2004-2005	0.27	Cycling	18	27
		Slips & Trips	1	
		Play Equipment	0	
		Other	6	
		Horses	2	
2003-2004	1.31	Cycling	14	22
		Slips & Trips	1	
		Play Equipment	0	
		Other	4	
		Horses	3	
2002-2003	Not available	Cycling	2	8
		Slips & Trips	1	
		Play Equipment	0	
		Other	5	
		Horses	0	



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Appendix 3

Grants and Licences – Applicant’s Charter

Forestry Commission Wales operates charter standards for grant schemes and felling licence applicants. In all cases we aim to acknowledge receipt of applications within three working days. For grant applications, we aim to process applications from proposal stage to draft contract stage within 11 weeks. This includes any consultation with outside bodies but the target excludes the time during which an application is awaiting input from the applicant. For felling licence applications, we aim to issue a licence within ten weeks of receiving an application and this includes the time during which an application is held up awaiting input from an applicant or consultee.

The table below sets out performance against Charter targets for 2005/6 and the previous two years for comparison. During the year, the proportion of grant scheme applications processed within the 11 week period increased from the 44% achieved in the previous year, to 62%. The number of contracts issued in the year was similar to the previous year at 360 but the application rate slowed during the year.



For the second year running, the number of felling licence applications rose. Of these, 62% were processed within the ten-week target, a similar proportion to the previous year.

The number of grant claims paid in the year was lower than in the previous year but the proportion paid within 28 days increased to 87% from 76% in the previous year.

Overall, these figures show a general improvement in performance but the figures for processing applications still falls well short of the targets. A major factor behind these slower processing times is that some staff time has continued to be taken up with the development and introduction of *Better Woodlands for Wales*

We very much regret that this has delayed the processing of grant scheme and felling licence applications. However, we believe that it has been in the interests of woodland owners and managers to keep the old grant scheme open to applications rather than closing it before the new one is fully introduced.



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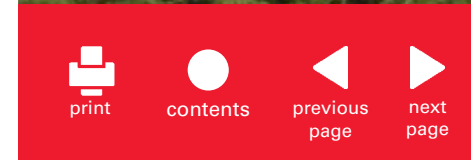


Appendix 3

Grants and Licences – Applicant’s Charter

TABLE 3 – GRANT AND FELLING LICENCE APPLICATIONS AND APPLICANTS CHARTER PERFORMANCE

		2005/06	2004/05	2003/04
WGS Applications	Number received	343	413	485
	Acknowledged within 3 days	334 (97%)	380 (92%)	459 (95%)
	Processed in under 11 weeks	213 (62%)	182 (44%)	279 (57%)
Felling Licence Applications	Number received	251	193	163
	Acknowledged within 3 days	237 (97%)	174 (90%)	147 (90%)
	Processed in under 10 weeks	157 (62%)	113 (59%)	119 (73%)
Grant Claims	Number paid	1192	1498	1452
	Paid in under 28 days	1035 (87%)	1139 (76%)	1201 (82%)



Appendix 4

Woodland Grant Scheme and Illegal Felling Statistics

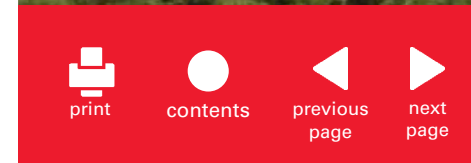
TABLE 4 - AREA OF PLANTING AND ASSOCIATED GRANTS PAID DURING 2005/06

Year	Conifer	Broadleaved	Total
2005/06	7 ha (£31K)	441 ha (£1,081K)	448 ha (£1,112K)
2004/05	13 ha (£66K)	521 ha (£1,406K)	534 ha (£1,472K)
2003/04	26 ha (£69K)	443 ha (£1,084K)	469 ha (£1,153K)
2002/03	41 ha (£39K)	281 ha (£574K)	322 ha (£613K)

These figures include challenge funded planting.

TABLE 5 – AREA OF CHALLENGE FUNDED PLANTING

Year	Native woodland expansion	New woodlands for Quality Timber
2005/06	178 ha	60 ha
2004/05	161 ha	118 ha
2003/04	154 ha	76 ha
2002/03	11 ha	0 ha



Appendix 4

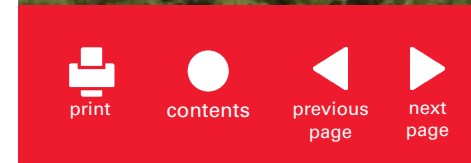
Woodland Grant Scheme and Illegal Felling Statistics

TABLE 6 - AREA OF RESTOCKING AND ASSOCIATED GRANTS PAID DURING 2005/06

Year	Conifer	Broadleaved	Total
2005/06	508ha (£284K)	214ha (233K)	722ha (517K)
2004/05	353ha (£228K)	285ha (£304K)	638ha (£532K)
2003/04	221ha (£107K)	168ha (£147K)	389ha (£254K)
2002/03	493ha (£208K)	166ha (£135K)	659ha (£343K)

TABLE 7 - ANALYSIS OF ACTION IN RELATION TO ALLEGED ILLEGAL FELLING DURING 2005/06

Description	Cases	Timber Volume (m3)	Area (ha)
Reported	81	Not applicable	Not applicable
Investigated by FC Wales	69	418	79
Warning Letter sent	10	38	1.1



Appendix 5

National Forest Estate Statistics

TABLE 8 - KEY STATISTICS FOR THE NATIONAL FOREST ESTATE FOR 2005/06

		2005/06	2004/05	2003/04	2002/03	2001/02	2000/01	1999/00
Total area managed	Thousand hectares	125	126	125	126	127	128	127
Wooded land	Thousand hectares	108	109	109	110	111	113	111
Disposals	Hectares	239	8	11	57	399	1297	1206
	No. of Woods	13	1	1	3	9	32	43
Harvesting								
Volume of Clearfell	Thousand cubic metres	549	655	874	939	825		
Volume of Thinning	Thousand cubic metres	253	289	181	190	164		
Area of Thinning	Hundred hectares	*5052	*5773	*3628	*3814	*2882		
Standing Sales	Thousand cubic metres	500	468	502	475	590		
Direct production	Thousand cubic metres	302	476	554	655	399		
TOTAL	Thousand cubic metres	802	944	1056	1130	989		
Planting								
Area of new planting	Hectares	0	0	0				
Area of restocking after felling	Hectares	1620	1340	1395				

*estimates based on thinning yield of 50 cubic metres/hectare



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Appendix 6

Membership of Committees and Panels

NATIONAL COMMITTEE FOR WALES

AS AT 31 MARCH 2006

Gareth Wardell	Chair and Non-executive Commissioner for Wales
Anthony Bosanquet	Non-executive Commissioner for Wales
Gareth Jones OBE	Director of Environment, Planning and Countryside, Welsh Assembly Government
Professor John Good OBE	Chair, Woodland Strategy Advisory Panel
Geraint George	Director of Postgraduate diploma/masters in Countryside Management, Bangor University
Ian Forshaw	Director, Forestry Commission Wales and Executive Commissioner
Trefor Owen	Head of Estate Management, Forestry Commission Wales
Jon Westlake	Head of Quality Assurance and Corporate Improvement, Forestry Commission Wales

The committee met five times during the year in May, July, September, November and February. A full set of papers, agendas and minutes for the committee are published on our website.

WOODLAND STRATEGY ADVISORY PANEL AS AT 31 MARCH 2006

Professor John Good OBE (Chair)

David Crichton	Helena Fox	Celia Thomas*
David Jenkins	Alun Gee*	Professor Colin Price
Dr Tim Stowe	Dr John Taylor	Richard Withers
John Lloyd Jones*	Tim Kirk*	Trefor Thompson*
Bob Vaughan*	Huw Denman*	David Austin*
Bernard Llewellyn	Alex Brownlie	Ann Watkin

*members who are able to be convened as a statutory Regional Advisory Committee on a 'needs only' basis

The panel met twice during the year in May and September. The meeting scheduled for March was postponed until May 2006 due to adverse weather conditions. A full set of papers, agendas and minutes for the panel are published on our website.



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Appendix 7

Forestry Commission Wales – Staff and Structure

Forestry Commission Wales has operated as a single corporate body without a separate executive agency to manage the public estate (Forest Enterprise) since 1 April 2004.

Most of the corporate and departmental functions are managed from our National Office in Aberystwyth.

The management of the public estate is delivered via four forest districts and several functional pan-Wales business units.

The Grants and Licences team operate from two area offices, at Clawdd Newydd near Ruthin and Abergavenny.

NATIONAL OFFICE AS AT 31 MARCH 2006

Ian Forshaw*	Director Wales
Trefor Owen*	Estate Management
Peter Garson*	Grants and Licences
Jon Westlake*	Corporate Improvement and Quality Assurance
Ruth Jenkins*	Policy and Programmes
Colin Sobota*	Human Resources
Derek Stephen*	Finance
Clive Thomas*	Secretariat and Communications
Terry O'Keefe	Assembly Liaison [located with Welsh Assembly Government, Cardiff]
Ian Shaw	Country Land Agent

*Management Board members as at 31 March 2006

The board met nine times during the year in April, May, July, September, November, December, January, February and March.

ESTATE MANAGEMENT AS AT 31 MARCH 2006

Richard Siddons	FDM, Coed y Gororau
Jon Levell	Acting FDM, Coed y Mynydd
Dai Jones	FDM, Llanymyddfri
Antony Wallis	FDM, Coed y Cymoedd
Hugh Jones	Harvesting and Marketing
David Cross	Silvicultural Operations
Stephen Buckley	Social Forestry
John Browne	Forest Planning

GRANTS AND LICENCES AS AT 31 MARCH 2006

Greg Vickers	Operations Manager, North Wales
Steve Hunt	Operations Manager, South Wales
Dominic Driver	Programme Manager, CydCoed
Mike Pitcher	Programme Manager, Wood Energy Business Scheme



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Financial highlights



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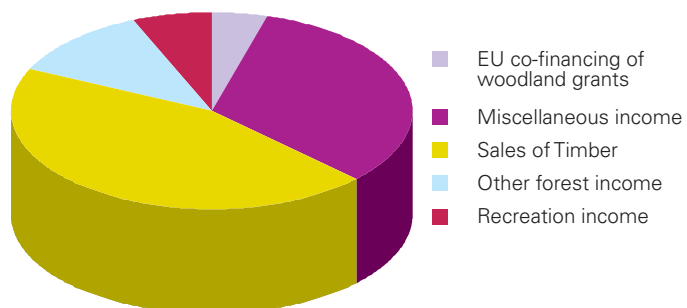
Financial Highlights

SUMMARY INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

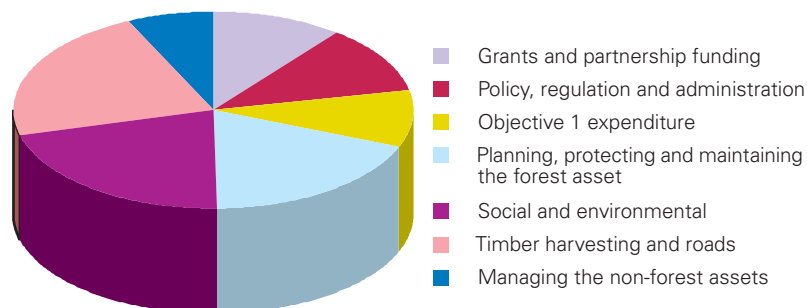
	2005-06	2004-05
INCOME	£000	£000
Forestry Commission		
EU co-financing of woodland grants	805	855
Miscellaneous income	6006	2463
Forest Enterprise		
Sales of Timber	8179	11460
Other forest income	2119	3462
Recreation income	1171	1454
	18280	19694

	2005-06	2004-05
EXPENDITURE	£000	£000
Forestry Commission		
Grants and partnership funding	4249	4300
Objective 1 expenditure	3829	2477
Policy, regulation and administration	4555	826
Forest Enterprise		
Planning, protecting and maintaining the forest asset	7654	7051
Social and environmental	8656	11101
Timber harvesting and roads	8969	11388
Managing the non-forest assets	2870	4086
	40782	41229
Net expenditure for the year	(22502)	(21535)

INCOME 2005 - 06



EXPENDITURE 2005 - 06



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Financial Highlights

SUMMARY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	2005-06	2004-05
	£000	£000
Net expenditure for the year	-22502	-21535
Depreciation and other non-cash items	35	764
Movement in working capital	1319	-1010
Movement in provision and liabilities	-120	-204
Net cash flow from operating activities	-21268	-21985
Purchase of fixed assets	-2006	-1242
Government grants applied to acquisition of fixed assets	1312	752
Net proceeds from disposal of fixed assets	827	715
Funding from National Assembly for Wales	-21135	-21760

SUMMARY CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	2005-06	2004-05
	£000	£000
Fixed assets	151734	142153
Debtors falling due after more than one year	40	46
Current assets	9116	7918
Creditors: amounts falling due within one year	-7298	-3514
Net current assets	1818	4404
Creditors: amounts falling due after more than one year	-284	-247
Provision for liabilities and charges	-231	-399
Total assets less liabilities	153077	145957
Capital and reserves	153077	145957



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Forestry Commission Wales

Annual Report and Accounts 2005-06



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INTRODUCTION AND BACKGROUND

BASIS OF ACCOUNTS

The Forestry Commission Wales Resource Accounts are prepared in accordance with the Accounts Direction issued by HM Treasury under Paragraph 5 of Schedule 7 to the Government of Wales Act 1998.

DEPARTMENTAL ACCOUNTING BOUNDARY

These accounts incorporate the core-department, Forestry Commission Wales.

NATURE OF THE BUSINESS, ITS STRATEGY, AIMS AND OBJECTIVES

Status

Forestry Commission Wales came into being on 1 April 2003. It serves as the forestry department of the Welsh Assembly Government to advise on and implement forestry policies. It also manages the national forest estate to deliver public benefits. The responsibility for forestry policy and its financial framework rests with the Minister for Environment, Planning and Countryside.

Forestry Commission Wales is part of the Forestry Commission, a cross-border public body with a Chairman and Board of Commissioners. The responsibilities and powers of the Forestry Commissioners are derived mainly from the Forestry Acts 1967 and Plant Health Act 1967. There are a number of other applicable Great Britain Acts and Statutory Instruments, including the Forestry Commission Bye Laws 1982.

Strategy

The Welsh Assembly set out its vision for forestry in Wales in 'Woodlands for Wales', published in July 2001. It sets a course to provide real social and community benefits, both locally and nationally, whilst supporting thriving woodland-based industries and contributing to a better quality environment throughout Wales. 'Woodlands for Wales' can be found on the Forestry Commission Wales website at www.forestry.gov.uk/wales.

Aims and Objectives

The aims and objectives of Forestry Commission Wales flow from Woodlands for Wales and from the wider objectives

of the Welsh Assembly Government. As a predominately rural activity, forestry plays a major part in delivering rural development, but also has an increasingly important role in helping to deliver other objectives such as urban regeneration, social and environmental justice, renewable energy and healthier lifestyles. Forestry Commission Wales has five strategic, outcome related objectives expressed in our Corporate Plan 2005/06 – 2007/08 [Better Woodlands for a Better Wales - published March 2005]:

- ♻️ Sustainable woodland management.
- ♻️ Woodlands supporting effective and durable communities.
- ♻️ Woodlands making a positive contribution to a thriving and sustainable Welsh economy.
- ♻️ Woodlands contributing to a more healthy and resilient environment.
- ♻️ Effective and efficient customer focused delivery.



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These objectives are built around the theme of sustainable forest management and the delivery of outcomes which are built on the economic, environmental and social outputs from forest management that will help achieve our overall vision of Better Woodlands for a Better Wales. We will work towards our vision in a number of ways:

- 🌲 Stewardship - We act as stewards for the Assembly woodland estate, which accounts for 38% of woodland in Wales;
- 🌲 Grants - Outside the estate we encourage stewardship and good woodland management by giving targeted grants, reaching a further 15% of woodlands in Wales;
- 🌲 Business - We generate income from the Assembly estate through the sustainable harvesting of timber and other activities and reinvest in projects that deliver our social and environmental goals;
- 🌲 Regulation - We regulate forestry practice throughout Wales by licensing felling and replanting;

through environmental impact assessments; and by acting as Relevant Authority for access to woodlands with statutory rights;

- 🌲 Policy, Communications and Research - We consult widely with stakeholders and maintain a close working relationship with both the Welsh Assembly Government and the Forestry Commission outside Wales;
- 🌲 Partnerships - To maximise delivery, we seek to work in partnerships with others at local, district or national levels on projects where this will help us meet our strategic objectives.

Forestry Commission Wales' annual spending plans can be found on the Welsh Assembly Government's website at www.wales.gov.uk.

MANAGEMENT COMMENTARY

Operating review

During the year, Forestry Commission Wales undertook a number of activities to support delivery of its corporate objectives and wider Assembly policy. The Forestry Commission Wales Annual

Report includes a full account of these activities, as well as an analysis of our performance against our key performance indicators. Further information can also be found on the following significant items:

- 🌲 At a conference on 12 January 2005, Carwyn Jones AM, the Minister for Environment, Planning and Countryside launched a major report highlighting progress towards the objectives of Woodlands for Wales. He concluded that a significant start had been made to the implementation of this long-term vision with a range of partnerships having been established and an array of funding opportunities utilised.
- 🌲 The Assembly woodland estate was once again successful in a major Forest Certification Audit. At around 125,000 hectares, the national forest estate represents more than 38% of the woodland area in Wales and through independent auditing continues to demonstrate sustainable forest management to an internationally recognised standard.



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🌲 We worked alongside our colleagues in the Department of Environment, Planning and Countryside to ensure that the proposed Rural Development Plan for Wales has forestry fully integrated into the relevant Axes and therefore potential programmes of the plan. This draft plan will go out to consultation during the early part of 2006-07.

🌲 The redeveloped Woodland Grant Scheme, Better Woodlands for Wales, was finalised during the year with management planners being assessed, appointed and trained in the fundamentals of the scheme; grant rates and conditions devised and agreed; marketing of the benefits undertaken and publication of scheme details finalised.

🌲 The National Forest Estate Wind Farm programme was launched in support of the Welsh Assembly Government's renewable energy policy, as expressed in Technical Advice Note: 8 [Planning for Renewable Energy]. This is a two-stage programme which will

conclude with the Minister awarding leases for those wind farms that are granted planning permission. Stage 1 involved a pre-qualification and an Invitation to Tender stage with nine companies being invited to tender by the end of the financial year. This programme will have significant impact in terms of income generation.

🌲 The National Forest Estate Affordable Housing project has progressed during the year, with a formalising of objectives, process, standards and targets. The project is focussed on delivering a small number of 'exemplar' developments on Assembly-owned land, as well as the development of a scheme for the longer term.

🌲 Carwyn Jones AM, launched the Restoring our Forgotten Inheritance Project at the Royal Welsh show in July 2005. We are hosting and part-funding this £2.4 million EU funded programme which has ambitious targets to begin the restoration of Plantations on Ancient Woodland sites [PAWS] across more than 3,500 hectares of Assembly woodlands, as

well as within eligible non-assembly owned woodlands.

🌲 Cydcoed Phase II, our £12 million community woodland grant scheme, funded by the EU and Welsh Assembly Government had a busy year. By the end of the year more than £7.5 million of the grant budget had been committed, which is broadly on target.

🌲 Our Wood Energy Business Scheme remains on track to meet all its targets. This four-year project launched in February 2004 aims to help 'kick-start' the creation of a woodfuel industry in Wales. The scheme has £6 million of grant funding available from the EU and the Welsh Assembly Government to support the capital costs of installing woodfuel heating plants, woodfuel supply infrastructure and small-scale combined heat and power [CHP] systems. At the year-end, 46 projects had been approved, including two small-scale CHP projects, nine wood processing projects and 35 woodfuel heating systems. Highlights during the year included the commissioning



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of a 450kW woodchip boiler for Powys County Council to heat a school and leisure centre.

- 🌲 We worked alongside our partners in the Welsh Development Agency and the private sector to help the Wales Forest Business Partnership gain momentum and begin to operate on behalf of the wider timber sector in Wales. By the end of the year a leadership group had been formed which has identified priority actions for the partnership in the coming year.
- 🌲 During the year we consulted with the trade and wider sector over our Timber Marketing Strategy proposals. The finalised strategy was published in April 2006 and we have begun to disseminate the document to all our customers and other interested stakeholders.
- 🌲 We and our partners in Germany, Slovenia and Estonia had a busy year delivering our EU Interreg IIIC project GATE [Gaining Added Value for Timber in Europe] which aims to increase the use of timber in construction.
- 🌲 Our other EU Interreg IIIC project,

Robinwood, moved during the year from gathering information within the partner areas of Europe, to tendering within these regions for delivery of a number of sub-projects. More than £200k was allocated to projects in the following areas:

- optimising forestry development through forest management;
- investigating the role that forests can play in preventing flood erosion and soil erosion; and
- highlighting the use of wood and biomass in the production of heat and energy.

- 🌲 A major study of visitor numbers and profiles to Assembly woodlands was published in October 2005. Key conclusions included that there are over 4 million visits per annum to Assembly woodlands, that the most popular activities are walking of one kind or another and that the average spend per spending visitor was £13, amounting to more than £30 million annually into the local economy.
- 🌲 Results of a UK –wide Black Grouse

survey were announced during the year and showed that numbers of this rare bird had increased in Wales by 39%, in contrast to the continuing decline in England and Scotland. This helped to confirm the value of the ongoing work by ourselves to help improve the habitat in the forest for Black Grouse and during the year work on one of the key sites in Clocaenog forest, Denbighshire saw the area treated rise to more than 160 hectares.

- 🌲 Of the twenty-six key performance indicators set for Forestry Commission Wales, more than 80% were achieved. The Forestry Commission Wales Annual Report details the full achievement against the planned programmes and can be found on the Forestry Commission website.

Financial review

Forestry Commission Wales received net funding from Welsh Assembly Government of £28.9 million to manage its forest estate which delivers a wide range of public benefits and to grant aid to the private sector forestry in Wales.



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Forestry Commission Wales timber sales generated £8.2 million income from a harvest of 808,000 cubic metres with other sources of income from forest based activities adding a further £4.7 million. Timber prices remained low whilst associated operational costs were impacted upon by the general increase in fuel costs and general inflation.

Forestry Commission Wales continued to be actively involved in EU funded projects and saw a continued level of Woodland Grant spend of over £4 million.

Significant variances against Estimate

	Estimate	Outturn	Difference
Total resource	£28.9m	£27.6m	£1.3m
Net cash requirement	£21.1m	£19.8m	£1.3m

The difference between estimate and net total resource outturn of £1.3 million is principally due to:

- Cost of capital was below estimate by £3.1 million due to the estimate recognising the need to provide contingency in view of the volatility of timber prices and the impact this has on the potential upward valuation of the forest estate.
- Reduction in programme costs and improvement in income from sales of timber realised savings of £1.6 million which allowed for capital investment in machinery of £0.5 million and roads infrastructure of £0.9m, together with improved

Planning and Forest Management of £0.6 million.

- Strict control of staff numbers resulted in salary savings of £0.8 million.
- The timing of claims relating to EU funded projects resulted in £0.4 million income above estimate.
- Income from the sale of assets was £2.2 million below estimate, partly offsetting the above savings.
- Other management costs were £0.4 million over estimate.

Forestry Commission Wales recorded an underspend of £1.3 million on actual cash outturn compared to estimate, which represents 6.2 % on financing of £21.1 million.

Future Events

Post-Balance Sheet Event

The Forestry Commission has undertaken a challenging and complex public private partnership (PPP) competitive process over the last two years in order to find the most suitable joint venture partner to develop and expand its Forest Holidays business. On 8 May 2006, the Forestry Commission entered into a joint venture with the Camping and Caravanning Club to take over management of Forest Holidays. The limited liability partnership (LLP) will provide funding for modernisation and expansion of the business together with the necessary skills and vision to grow the business.



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Until very recently, the Forestry Commission had no express power to hold shares in a limited company or to hold interest in a LLP. Therefore, in respect of the activities carried on by the Forestry Commission in England and Wales, the Forestry Commission undertook to seek an Order under the Regulatory Reform Act 2001 in order to permit the Forestry Commission to participate in the new entity. The Order was granted on 15 March 2006. However, as the Regulatory Reform Act does not apply to matters which are within the legislative competence of the Scottish Parliament the grant of the Order does not affect the powers of the Forestry Commission in or as regards Scotland. Therefore, the Forestry Commission still does not have the necessary powers to participate in any company or LLP which has Scottish assets, or which carries on business in Scotland. The Forestry Commission is seeking primary legislation in the Scottish Parliament which would give the Forestry Commission the necessary powers to enter into the joint venture in respect of the Scottish sites. In the meantime,

Scottish Ministers have approved a separate LLP in Scotland in which Scottish Ministers will act as a member and hold the public sector interest, in place of the Forestry Commission, until the Forestry Commission obtains the necessary powers.

Following the transfer of the Forest Holidays business, there will be a significant change to the way in which the Forestry Commission will account for its interest in Forest Holidays. As lessors of the sites to the joint venture, Forestry Commission Wales will show a long term debtor balance on its balance sheet to represent the net present value of the future rental payments due by the joint venture companies. The Forestry Commission's equity and loan stock investments in the joint venture will be shown separately on the balance sheet of Forestry Commission Wales, representing their current value to the Forestry Commission.

Forestry Commission Wales will transfer about £21,000 of income received in advance for holidays commencing on or after 8 May 2006 that belongs to the Joint Venture. All Forest Holidays'

operations will in future be undertaken by the Joint Venture and Forestry Commission Wales will account for its share of the Joint Venture's profit and assets and liabilities in accordance with Financial Reporting Standard 9.

Future work

There are a number of existing and new initiatives that will either continue or begin to impact significantly on the work of Forestry Commission Wales in 2006-07 and for future years:

Wales Woodland Strategy

The updating of the strategy to ensure that it is fully cognisant of new agendas that have emerged or grown in prominence since its publication in 2001 will be a major piece of work that will require significant input from the Woodland Strategy Advisory Panel [WSAP] and other stakeholders. The strategy will also be 'proofed' against the Assembly Government's new Environment Strategy to ensure that the woodland sector can play its full role in helping to achieve results across this wider policy agenda.



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Full implementation of New Woodland Grant Scheme [Better Woodlands for Wales]

During the coming year the new grant scheme will become fully implemented and many of the transitional arrangements will be phased out. This stage will be crucial to the long-term success of the scheme and the full impact of the fundamental changes to the way in which the new scheme operates should become evident. The scheme aims to provide a focussed set of incentives that are tailored to achieve the policy outcomes of the woodland strategy. In addition a more customer-focussed service is aimed for with the utilisation of Information Technology to provide information and services on-line and thereby simplify the administrative arrangements both for applicants and Forestry Commission Wales, and give rise to improved efficiencies.

National Forest Estate Wind Farm Programme

The procurement phase of the programme will conclude during the

coming year as the 'Option to Develop' in Assembly woodlands, within each Strategic Search Area are awarded to the successful bidder[s]. To reach this stage will see Forestry Commission Wales, as the Assembly's managing agent for this programme, manage and co-ordinate a major evaluation of all bids received under the ongoing 'Invitation to Tender' process.

National Forest Estate Affordable Housing Project and Scheme

We aim to deliver the sites that have been identified as early candidates for implementation within this project during the year. This means that an arrangement will have been agreed with a local housing provider [or similar body] to ensure that affordable housing is built to an agreed standard on parts of the National Forest estate. In addition to the 'exemplar' requirements within the construction, the process of engaging with both the local authorities and communities will also have followed the agreed 'exemplar' model.

National Customer Services

The customer contact service will be

rolled-out to further Forestry Commission Wales offices throughout the year.

Relocating the National Office for Wales to the new Welsh Assembly Government Building in Aberystwyth

The coming year will see much of the framework for the move in 2008 becoming defined. As well as focussing on the practical arrangements for the move and our requirements in the new building, we will seek to work with our Assembly colleagues to ensure that we can help fulfil the policy aspirations of the Making the Connections initiative.



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MANAGEMENT

Ministers

The Ministers who had responsibility for Forestry Commission Wales during the year were:

Carwyn Jones AM	Minister for Environment, Planning and Countryside
Tasmin Dunwoody AM	Deputy Minister for Environment, Planning and Countryside (from 1 October 2005)

National Committee for Wales

The Committee is appointed under Section 2(3) of the Forestry Act 1967 to, inter alia, undertake any of the functions of the Forestry Commissioners that they may delegate, subject to any restrictions or conditions as they see fit. The Committee met five times during the year and a full record of papers and minutes can be found on the website. Members of the National Committee during the year were:

Gareth Wardell	Chair and Non-executive Commissioner for Wales
Anthony Bosanquet	Non-executive Commissioner for Wales
Gareth Jones OBE	Director of Environment, Planning and Countryside, Welsh Assembly Government

Professor John Good OBE Chair, Forestry Commission Advisory Committee for Wales

Geraint George Director of Postgraduate Diploma/Masters in Countryside Management, University College of Wales, Bangor

Simon Hewitt* Director, Forestry Commission Wales and Executive Commissioner (until 29 April 2005)

Ian Forshaw* Director, Forestry Commission Wales and Executive Commissioner (Acting Director from 9 May 2005 until 12 December 2005 and Director from 13 December 2005)

Trefor Owen Head of Estate Management, Forestry Commission Wales

Jon Westlake Head of Quality Assurance and Corporate Improvement, Forestry Commission Wales

*Member of the Forestry Commission Executive Board.

Management Board

The Forestry Commission Wales Management Board was established as a monitoring and decision-making forum, maintaining an overview of the business systems and



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administrative arrangements underpinning the functioning of Forestry Commission Wales and its relationship with stakeholders. The Board met eleven times during the year and the agendas and minutes of meetings are published on the website. Members during the year were:

Simon Hewitt	Chair, Director, Forestry Commission Wales (until 29 April 2005)
Ian Forshaw	Chair, Director, Forestry Commission Wales (from 9 May 2005)
Clive Thomas	Head of Corporate Planning, Secretariat and Communications,
Peter Garson	Head of Grants & Licences
Ruth Jenkins	Head of Policy Development
Trefor Owen	Head of Estate Management
Colin Sobota	Head of Human Resources
Derek Stephen	Head of Finance
Jon Westlake	Head of Quality Assurance and Corporate Improvement
John Browne	Head of Operations (until 16 June 2005)
Antony Wallis	Unit Manager Coed Y Cymoedd Forest District (until 16 June 2005)

Forestry Commissioners and Permanent Head of the Department

The Board of Commissioners gives strategic direction to the Forestry Commission and takes decisions on not-devolved or co-ordinated functions. It has a part time non-executive Chairman, Rt Hon Lord Clark of Windermere, and the Director General, Tim Rollinson, as Permanent Head of the Department, acts as Deputy Chairman. Commissioners who served during the year are available in the Great Britain/England Annual Report and Accounts.

A register of interests is maintained and can be accessed on the Forestry Commission website (www.forestry.gov.uk).

OTHER DISCLOSURES

Employment Policies

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



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Pensions

Information on pensions is contained in the Remuneration Report and accounting policy note 1.15.

Supplier Payment Policy

Forestry Commission Wales complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2005-06 indicates that 98.7% of invoices were paid within the due date.

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

Auditors

The accounts of Forestry Commission Wales are audited by the Auditor General for Wales.



Disclosure of audit information to the auditors

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

Ian Forshaw

Accounting Officer

31 July 2006



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REMUNERATION REPORT

Remuneration policy

Fees for non-executive Commissioners and National Committee members who are not Forestry Commission employees are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprises the Chairman, Director General, Director, Scotland, Director, England, and three other non-executive Commissioners. The Chairman, Director General and non-executive Commissioners take decisions in respect of Country Directors. The entire committee takes decisions on remaining senior staff posts in accordance with guidelines prescribed by the Cabinet Office.

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

- 🚩 The Senior Pay Committee take into account the recommendations of the Senior Salaries Review Body (SSRB). SSRB is responsible for monitoring the operation of the Senior Civil

Service pay system and for making recommendations to the Government on the shape of the system, including the salary values for the minimum, progression target rate and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses.

- 🚩 Reporting Officers consider the relative performance of each of their senior staff and recommend an appropriate performance tranche, whether a bonus should be paid and if so whether low or high. The Senior Pay Committee consider the recommendations, determine the allocation of senior staff to tranches, and decide the percentage increase to salary and any bonus to be awarded.

Remaining Committee and Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay agreement. Their performance is monitored and reviewed through the Performance Monitoring System (PMS) of the Forestry Commission. Their increase in salary and performance bonus, if awarded, are based on their

manager's assessment of their performance.

Employment contracts

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

Unless otherwise stated below, the senior staff covered in this report hold appointments, which are open-ended until they reach the normal retiring age. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Geraint George was appointed on a three year contact commencing in October 2003.

Further information about the work of the Civil Service Commissioners can be found at

www.civilservicecommissioners.gov.uk.



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SALARY AND PENSION ENTITLEMENTS

The salary and pension entitlements of National Committee and Management Board members were as follows:

	2005-06		2004-05	
	Salary	Benefits in kind	Salary	Benefits in kind
	£000	to nearest £100	£000	to nearest £100
Simon Hewitt (until 31 May 2005)	10-15 (60-65 full year equivalent)	-	60-65	-
Ian Forshaw (from 9 May 2005)	65-70 (70-75 full year equivalent)	200	55-60	100
Professor John Good	0-5	-	0-5	-
Geraint George	0-5	-	0-5	-
Jon Westlake	45-50	1,100	45-50	-
Trefor Owen	50-55	-	50-55	-
Derek Stephen	40-45	-	40-45	-
Colin Sobota	40-45	1,000	40-45	600
Peter Garson	40-45	-	40-45	-
Clive Thomas	45-50	2,100	40-45	1,300
Antony Wallis	45-50	-	45-50	-
John Browne	35-40	900	40-45	500
Ruth Jenkins	35-40	-	35-40	-



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The salary and pension entitlements of Gareth Wardell and Anthony Bosanquet, non-executive Forestry Commissioners and members of the National Committee for Wales, are borne and disclosed in the Forestry Commission Great Britain/England Annual Report and Accounts 2005-06.

SALARY

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

BENEFITS IN KIND

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



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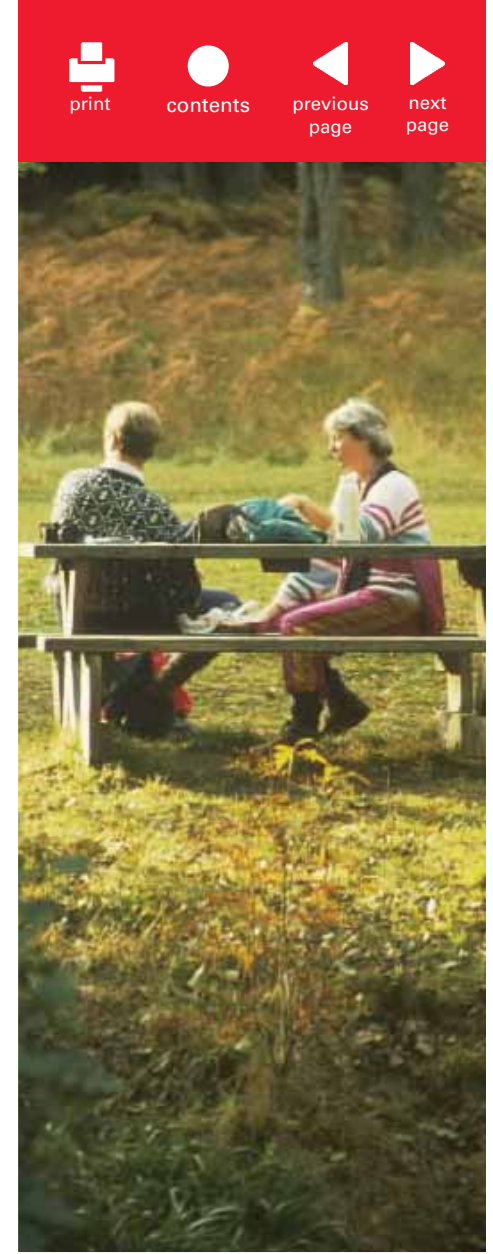
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PENSION BENEFITS

	Accrued pension at age 60 at 31 March 2006 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31 March 2006	(Restated) CETV at 31 March 2005	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Ian Forshaw	25-30 plus LS of 75-80	5-10 plus LS of 15-20	467	281	101	
Jon Westlake	15-20 plus LS of 45-50	0-2.5 plus LS of 2.5-5.0	298	220	15	-
Derek Stephen	10-15 plus LS of 35-40	0-2.5 plus LS of 0-2.5	217	155	13	-
Colin Sobota	10-15 plus LS of 35-40	0-2.5 plus LS of 0-2.5	211	151	13	-
Peter Garson	5-10 plus LS 25-30	0-2.5 plus LS of 0-2.5	117	77	9	-
Trefor Owen	15-20	0-2.5	191	125	17	-
Clive Thomas	5-10 plus LS of 15-20	0-2.5 plus LS of 0-2.5	87	57	8	-
Antony Wallis	10-15 plus LS of 35-40	0-2.5 plus LS of 0-2.5	235	176	9	-
John Browne	5-10 plus LS of 20-25	0-2.5 plus LS of 0.2.5	103	73	1	-
Ruth Jenkins	5-10 plus LS of 20-25	0-2.5 plus LS of 0-2.5	119	79	9	-



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CIVIL SERVICE PENSIONS

Pension benefits are provided through the Civil Service Pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

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

1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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

Further details about the Civil Service

pension arrangements can be found at the website

www.civilservice-pensions.gov.uk

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



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pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

REAL INCREASE IN CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued

pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

* Information subject to audit

Ian Forshaw
Accounting Officer
31 July 2006



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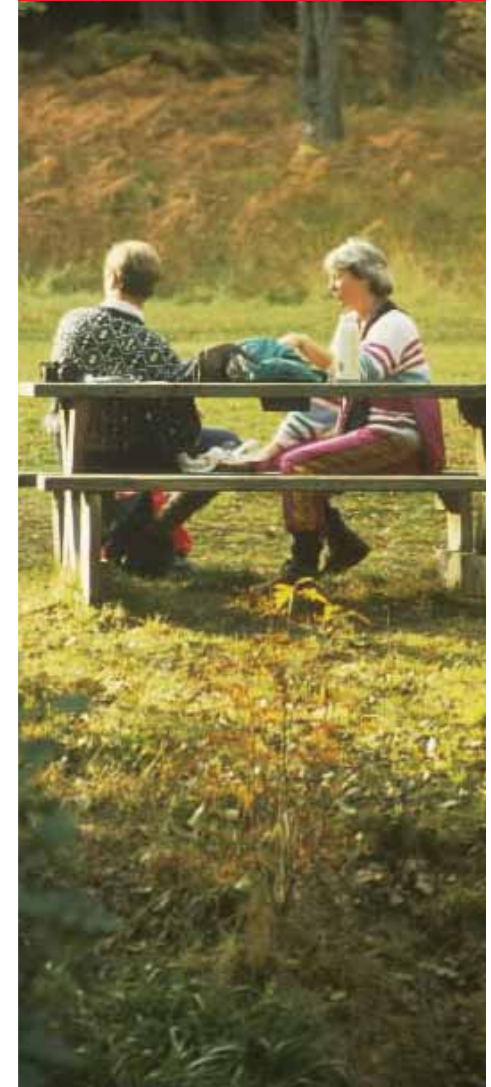
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Statement of forestry commissioners' and accounting officer's responsibilities

1. Under paragraph 5 of Schedule 7 to the Government of Wales Act 1998, the Forestry Commissioners are required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year.

there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are taken into account in decisions on policy proposals; and risk is considered in relation to assessing value for money.
2. The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department, the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.
3. HM Treasury has appointed the Permanent Head of Department as Principal Accounting Officer of the department with overall responsibility for ensuring that resources authorised by Parliament and sums to be paid out of the Consolidated Fund, in respect of the Forestry Commission, are used for the purposes intended by Parliament. He must ensure that
 - 🚩 observe the Accounts Direction issued by H M Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - 🚩 make judgements and estimates on a reasonable basis;
 - 🚩 state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts ;
4. In preparing the accounts the Forestry Commissioners are required to comply with the Government Financial Reporting Manual prepared by HM Treasury, and in particular to:
 - 🚩 prepare the accounts on the going concern basis.
5. In addition HM Treasury has designated Director, Forestry Commission Wales as the Accounting Officer for Forestry Commission Wales. The duties of the Forestry Commissioners' Accounting Officer in Wales in respect of the exercise of the Commissioners' functions within Wales are set out in a memorandum attached to the letter of appointment. This includes responsibility for signing the accounts for the Welsh Assembly in respect of the Commission's activities in Wales, for the propriety and regularity of the public finances, for keeping proper records and for safeguarding Forestry Commission Wales' assets. The relationship between the department's Principal Accounting Officer and Director, Forestry Commission Wales, together with their respective responsibilities, is set out in writing.



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Statement of internal control

1. SCOPE OF RESPONSIBILITY

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

Forestry is a devolved matter although certain activities such as international affairs, plant health and forest research remain reserved by Westminster. The Minister for Environment, Planning and Countryside decides the policy and financial framework within which the Forestry Commission operates in Wales and is accountable to the Welsh Assembly Government for all matters concerning Forestry Commission Wales.

The Forestry Commissioners are statutorily responsible for the stewardship of the estate placed at their disposal by Ministers. The Forestry Commissioners have delegated to the statutory National Committee for Wales



the normal exercise of their powers and duties in connection with the estate.

The National Committee is chaired by a non-executive Forestry Commissioner and its members include a further non-executive Commissioner and a representative of the Department of Environment, Planning and Countryside.

The Director General is the Deputy Chairman of the Forestry Commissioners and the senior official in the Forestry Commission. In addition to his role as a Commissioner, he is the Principal Accounting Officer, formally responsible to Parliament for the financial affairs of the Forestry Commission.

The Director Wales is the executive Forestry Commissioner responsible to the Minister and to the Director General for the work of the Forestry Commission in Wales. The Director Wales is appointed Accounting Officer for Forestry Commission Wales and is a member of the National Committee for Wales. The exact responsibilities of the Director Wales are detailed in the letter of appointment but include responsibilities for Forestry Commission Wales'



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Statement of internal control

accounts and financial procedures, and for the proper, effective and efficient use of resources in pursuit of the agreed Corporate Plan objectives and targets.

The Director General and Director Wales are liable to be summoned to appear before the relevant Parliamentary Committee to answer for their financial responsibilities. It will be for Ministers to decide who should represent them at other Parliamentary Committee hearings.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Forestry Commission Wales policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and

economically. The system of internal control has been in place in Forestry Commission Wales for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. CAPACITY TO HANDLE RISK

Forestry Commission Wales has taken a positive approach to risk that it feels is entirely appropriate to its role and remit. Risk management is the responsibility of every member of staff in Forestry Commission Wales. Everyone has a role to play in managing risks and therefore understands and accepts responsibility for managing the risks within their own area of authority. Risk awareness and responsibility lies in parallel with the structure of the Forestry Commission's objectives in Wales and at every level of objective there is an equivalent delegation of responsibility of associated risk.

The resources available for managing risk are finite and so the aim is to achieve an optimum response to risk, prioritised in accordance with the evaluation of risk. The system of internal control incorporates

risk management. The system encompasses a number of elements that together facilitate an effective and efficient operation, enabling Forestry Commission Wales to respond to a variety of operational, financial and commercial risks. These elements include:

- 🌲 Policies set by the National Committee for Wales and the Wales Management Board. Written procedures support the policies where appropriate.
- 🌲 Comprehensive regular reporting to the National Committee and Management Board designed to monitor key risks and their controls. Decisions to rectify problems are made at their regular meetings.
- 🌲 Planning and budgeting system used to set objectives, agree action plans and allocate resources. Progress towards meeting plan objectives is monitored regularly.

4. THE RISK AND CONTROL FRAMEWORK

Forestry Commission Wales is committed to a process of continuous development



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Statement of internal control

and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2006 and up to the signing of the accounts Forestry Commission Wales has:

- Worked with a private sector risk management expert to develop a series of workshops. The purpose of the workshops is to share experiences of handling risk at country and agency level, to review progress on embedding risk management and to ensure common standards when assessing risks;
- Participated in the Forestry Commission wide, Risk Management Group (RMG), whose purpose is to ensure continued development of risk management within, and the sharing of best practice across, the Commission. The RMG met on four occasions, in July, November and December 2005, and in March 2006;
- Implemented the revised Forestry Commission risk policy statement

considered by both the Forestry Commission Executive Board and the Forestry Commission Audit Committee before being approved by the Board of Commissioners in September 2005;

- Updated existing risk registers to reflect newly identified potential risks and appropriate control measures for agreement by management board members in May 2006. This has included the further enhancement of the Risk Register methodology to clearly define inherent and residual risk; and
- Supported the purchase and population of a commercial risk management software package. The software chosen integrates with that used by Internal Audit for planning and assignment management who has worked with the RMG co-ordinator during the year on its configuration and implementation. The system contains a number of reports designed to assist management in monitoring key risks.

The size and membership of the Forestry Commission Audit Committee is designed to represent all parts of the Forestry Commission. A non-executive Commissioner represents Wales and the Director Wales receives papers and can attend meetings if there are specific country issues. The Committee met three times during the year, in April, September and December 2005, to consider a range of reports from management, and from internal and external audit.

Director Wales was provided with more detailed advice on the work of Internal Audit in particular, and control in general, via the local Internal Control Committee (ICC). The ICC's objectives are to:

- provide a forum for senior management to discuss internal control and audit matters, including value for money;
- promote understanding of the internal audit role and objectives;
- assist the Head of Internal Audit in defining the scope of audit coverage and assessing priorities.



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Statement of internal control

The Committee met in November 2005 and March 2006 to receive feedback from the main Audit Committee and progress reports on internal audit activity and risk management.

During the year, Internal Audit concluded a review of the structure, interactions and functioning of the Board of Commissioners, the Forestry Commission Executive Board and the National Committees. The Board of Commissioners discussed the findings alongside a paper covering some wider issues arising from the requirements of the new Code on Corporate Governance for government bodies. The Board agreed that country based audit committees should be set up, to provide for a more effective review of each set of annual accounts in particular, but the new arrangements were dependent on the Board's agreement of terms of reference for the various decision-making bodies noted above. The Board finally agreed the responsibilities and relationships of the bodies in June 2006. A decision on the future role and conduct of a Forestry Commission Great Britain audit committee was deferred

pending further discussion with the current FCAC Chair. Interim one-off arrangements were put in place to review the presentation of the 2005-06 accounts and associated Internal Audit business, utilising existing ICC members and external audit attendance. Proposed terms of reference for the country audit committees have been drafted and will be finalised once the meeting with the FCAC Chair has taken place in July 2006.

An Internal Audit review in 2004-05 identified that the Forestry Commission, as a whole, did not have fully developed contingency plans in place to effectively manage failure in key business systems. Since then, there has been some progress and most importantly a change of responsibility for business continuity planning was agreed by the Forestry Commission Executive Board in December 2005. This work is now co-ordinated by Director Finance via the RMG. The change recognises the need for the business areas to prepare contingency plans which meet their needs and which clearly link to business driven risk management. Internal Audit will monitor progress through their

involvement with the RMG and pursue more detailed work later in 2006-07

5. REVIEW OF EFFECTIVENESS

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within Forestry Commission Wales who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Forestry Commission Wales Management Board, the Forestry Commission Audit Committee and the Forestry Commission Wales ICC. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Head of Internal Audit has prepared an annual report and assurance



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Statement of internal control

statement to me as Accounting Officer. The report includes an overall assessment of the adequacy and effectiveness of risk management, control and governance within Forestry Commission Wales. The Director General, as Principal Accounting Officer, has received a similar report and assurance statement including any comments specific to the Great Britain core responsibilities. The overall opinion is that internal control within Forestry Commission Wales continues to provide substantial assurance that material risks to the achievement of operational objectives are identified and adequately managed.

6. SIGNIFICANT INTERNAL CONTROL PROBLEMS

The significant problem involving delays in completion of the monthly bank reconciliations undertaken centrally was reported in last year's statement. The reconciliations were brought up to date during 2005-06 and Internal Audit undertook a verification check in November 2005 to provide assurance that the process was back under proper control for the 2005-06 accounts. In February



2006 Internal Audit again confirmed that the reconciliations were continuing to be performed on time and that any outstanding adjustments had been actioned. They reviewed improvements to the system and were satisfied that sufficient work had been undertaken by management to clear the item from the Statement on Internal Control.

Ian Forshaw
Accounting Officer
31 July 2006



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Independent auditor's report

THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE MEMBERS OF THE NATIONAL ASSEMBLY FOR WALES

I certify that I have audited the financial statements of Forestry Commission Wales for the year ended 31 March 2006 under paragraph 6 of Schedule 7 to the Government of Wales Act 1998. These comprise the Summary of Resource Outturn, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Statement of Operating Costs by Departmental Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them.

RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR

The Accounting Officer is responsible for preparing the Annual Report and the financial statements in accordance with Paragraph 5 of Schedule 7 to the Government of Wales Act 1998 and HM Treasury directions made thereunder

and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if Forestry Commission

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

I review whether the statement on pages 13-15 reflects Forestry Commission Wales' compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of Forestry Commission Wales' corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Introduction and Background, the Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I



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Independent auditor's report

become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to Forestry Commission Wales' circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with

sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

OPINIONS

In my opinion:

the financial statements give a true and fair view, in accordance with the Government of Wales Act 1998 and directions made thereunder by HM Treasury, of the state of Forestry Commission Wales' affairs as at 31 March 2006 and the net cash requirement, net resource outturn, resources applied to objectives, recognised gains and losses and

cashflows for the year then ended;

the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 1998; and

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

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
Wales Audit Office
2-4 Park Grove
Cardiff CF10 3PA
3 August 2006



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Summary auditor's report

SUMMARY OF RESOURCE OUTTURN 2005-06

				Estimate			Outturn	2005-06 £000	Restated 2004-05 £000 Outturn
	Note	Gross expenditure	A-in-A	Net Total	Gross expenditure	A-in-A	Net Total	Net total outturn compared with Estimate: saving/ (excess)	Net Total
Request for resources	2	28,851	-	28,851	27,573	-	27,573	1,278	26,296
Total resources	3	28,851	-	28,851	27,573	-	27,573	1,278	26,296
Non-operating cost A in A		-	-	-	-	-	(827)	827	-



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Forestry Commission Wales

Annual Report

NET CASH REQUIREMENT 2005-06

			2005-06 £000	2004-05 £000	
	Note	Estimate	Outturn	Estimate: saving/ (excess)	Outturn
Net cash requirement	4	21,135	19,825	1,310	21,018



SUMMARY OF INCOME PAYABLE TO THE CONSOLIDATED FUND

		Forecast 2005-06 £000		Outturn 2005-06 £000	
	Note	Income	Receipts	Income	Receipts
Total		-	-	-	-

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary.

The notes on pages 23 to 41 form part of these accounts.



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Operating Cost Statement

OPERATING COST STATEMENT for the year ended 31 March 2006

	Note	Staff Costs	Other Costs	2005-06 £000 Income	Restated 2004-05 £000
Administration Costs:					
Staff Costs	5	11,332			11,349
Other Administration costs	6		7,005		6,253
Operating Income	7			-192	-365
Programme Costs:					
Programme costs	8		27,677		28,670
EU income	8			-805	-855
Other income	8			-17,444	-18,756
Totals		11,332	34,682	-18,441	26,296
Net operating Cost				27,573	26,296

There have been no acquisitions during the year.

OPERATING COST STATEMENT for the year ended 31 March 2006

	Note	2005-06 £000	Restated 2004-05 £000
Net gain on revaluation of tangible fixed assets	19(a)	8,891	3,382
Movement on government grant reserve	19(b)	1,312	752
Recognised gains and losses for the financial year		10,203	4,134

The notes on pages 23 to 41 form part of these accounts.



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Balance sheet

BALANCE SHEET as at 31 March 2006

	Note		2005-06 £000	2004-05 £000
Fixed assets:				
Tangible assets	11		151,734	142,151
Intangible assets	12		-	2
Debtors falling due after more than one year	14		40	46
Current assets				
Stocks	13	745		671
Debtors	14	5,672		6,088
Cash at banks and in hand	15	2,699		1,159
		9,116		7,918
Creditors (amounts falling due within one year)	16	(7,298)		(3,514)
Net current assets			1,818	4,404
Total assets less current liabilities			153,592	146,603
Creditors (amounts falling due after more than one year)	16		(287)	(247)
Provisions for liabilities and charges	17		(231)	(399)
			153,077	145,957
Taxpayers' equity:				
General fund	18		114,212	117,233
Revaluation reserve	19 (a)		28,273	27,972
Government grant reserve	19 (b)		2,064	752
			153,077	145,957

Ian Forshaw
Accounting Officer
31 July 2006

The notes on pages 23 to 41 form part of these accounts



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Cash flow statement

for the Year Ended 31 March 2006

		2005-06 £000	Restated 2004-05 £000
	Note		
Net cash outflow from operating activities	20(a)	-19,958	-21,162
Capital expenditure and financial investment	20(b)	-1,179	-527
WEFO deferred income		972	417
Net financing	20(d)	21,705	20,394
Increase/(decrease) in cash in the period	20(e)	1,540	-878

The notes on pages 23 to 41 form part of these accounts.



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Forestry Commission Wales

Annual Report

for the Year Ended 31 March 2006

	Gross	Income	2005-06 £000 Net	Gross	Restated Income	2004-05 £000 Net
Objectives						
Woodlands supporting effective and durable communities	17,945	-7,192	10,753	16,079	-6,942	9,137
Sustainable woodland management	8,743	-3,504	5,239	8,445	-3,646	4,799
Woodlands making a positive contribution to a thriving and sustainable Welsh economy	12,424	-4,979	7,445	15,617	-6,742	8,875
Woodlands contributing to a healthy and resilient environment	6,902	-2,766	4,136	6,131	-2,646	3,485
Net operating costs	46,014	-18,441	27,573	46,272	-19,976	26,296

See note 21 for explanation of apportionment across objectives.

The notes on pages 23 to 41 form part of these accounts.



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Notes to the resource accounts

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2005-06 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the FReM also requires Forestry Commission Wales to prepare two additional primary statements. The Statement of Parliamentary Supply (or equivalent for Forestry Commission Wales, which is funded by the National Assembly for Wales) and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. For the purposes of these accounts, the title "Summary of Resource Outturn" has been used for this primary statement. The other primary statement, the Statement of Operating Cost by Departmental Aim

and Objectives and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of Forestry Commission Wales for the purpose of giving a true and fair view has been selected.

Forestry Commission Wales' accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Basis of preparation of accounts

These accounts reflect the assets, liabilities and results of the Department, Forestry Commission Wales. There are

no other entities within the departmental boundary.

1.3 Tangible fixed assets

Legal ownership of all land and buildings is vested in the National Assembly of Wales with legal ownership of the timber, including uncut trees, vested in the Forestry Commissioners. Legal ownership of other tangible fixed assets is vested in the Forestry Commissioners.

Forest Estate

Between 1993 and 2002, the forest estate was valued every five years on an open market basis (OMV) using regional valuation panels consisting of the Forestry Commission's land agent and two private sector firms. It was done on a forest district basis taking account of the species mix, age, yield class and other relevant factors. The valuation was carried out on the basis of the forest estate being sold in an orderly manner as between a willing seller and a willing buyer in full accordance with public accountability and assuming its existing use. It was further assumed that no restraints exist, as they do in practice,



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Notes to the resource accounts

from title, statute and environmental considerations.

For the purpose of the valuation as at 31 March 2003, the panels were re-organised into country panels comprising the Forestry Commission's country land agent and two external valuers under the direction of the Director Estate Management. The panels agreed that the valuation should be done on the basis of existing use value (EUUV) as the valuation is carried out for the purposes of company accounts and they are non-specialised assets occupied by the owners of the interest for the purposes of the business. The valuation was carried out in accordance with the RICS Appraisal and Valuation Standards (the "Red Book") and a valuation instruction agreed with each panel. A valuation certificate was issued by each panel which confirmed that there was no material difference between the EUUV and OMV methods of valuation.

In the absence of a relevant annual forestry based index, the Forestry Commission obtained an external

professional opinion of the open market value in the intervening years between 1998 and 2003, which was outside the RICS Red Book Guidelines and made without reference to the valuation panels which undertook the 1998 five-year revaluation. This policy will continue to operate during the period up to the next full revaluation as at 31 March 2008.

Non-forest land

Non-forest land was assessed as at 31 March 2002 in accordance with our policy of revaluing it at three-yearly intervals by professionally qualified staff employed by the Forestry Commission following the principles set out in the RICS Red Book. Valuation was on the basis of Open Market Value or Existing Use Value as appropriate under the RICS guidance. From 1 April 2002, non-forest land has been restated to current value annually using an unequipped agricultural land index provided by the District Valuer.

Non-forest land was scheduled to be re-assessed as at 31 March 2005 in accordance with the three-yearly interval

stated in the previous accounting policy. It has been decided, however, to bring the policy in line with UK GAAP and undertake a professional valuation of non-forest land on a five-yearly basis. The first five-yearly valuation will be undertaken at 31 March 2008 to coincide with the next full revaluation of the Forest Estate.

In 2004-05, professionally qualified staff employed by the Commission carried out a review into the use of the unequipped agricultural land indices provided by the District Valuer. The review concluded that use of the indices provided a reasonable restatement of the current value of non-forest land. The indices were therefore used to restate values as at 31 March 2006 and will be used in each year until the professional valuation at 31 March 2008.

Dwellings and other buildings

Dwellings and other buildings were assessed as at 31 March 2002 in accordance with our policy of revaluing at three-yearly intervals by professionally qualified staff employed by the Forestry



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Notes to the resource accounts

Commission following the principles set out in the RICS Red Book. Valuation was on the basis of Open Market Value or Existing Use Value as appropriate under the RICS guidance. From 1 April 2002, dwellings and other buildings have been restated to current value annually using appropriate indices provided by the District Valuer.

Dwellings and other buildings were scheduled to be re-assessed as at 31 March 2005 in accordance with the three-yearly interval stated in the previous accounting policy. It has been decided, however, to bring the policy in line with UK GAAP and undertake a professional valuation of dwellings and other buildings on a five-yearly basis. The first five-yearly valuation will be undertaken at 31 March 2008 to coincide with the next full revaluation of the Forest Estate.

In 2004-05, professionally qualified staff employed by the Commission carried out a review into the use of the indices provided by the District Valuer. The review concluded that use of the indices provided a reasonable restatement of

the current value of dwellings and other buildings. The indices were therefore used to restate values as at 31 March 2006 and will be used in each year until the professional valuation at 31 March 2008.

The normal threshold for capitalisation of buildings is £2,000.

Expenditure on infrastructure

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

Surplus properties

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

Forest Holidays land and buildings

Forest Holidays land and buildings



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Notes to the resource accounts

represent a campsite that is operated on a commercial basis. The site is valued annually using valuations provided by a professional firm of valuers who specialise in the leisure industry. Values are undertaken on an Existing Use basis following the principles set out in the RICS Red Book and are based on each site's commercial potential to possible buyers.

Plant and machinery

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

The normal threshold for capitalisation of assets is £3,000.

Information technology

Information technology (IT) values are restated to current value each year using

indices provided by the Office for National Statistics. The normal threshold for capitalisation of IT assets is £1,500. Items of IT, if treated singly would fall below the capitalisation threshold, but collectively represent a significant asset, and accordingly are capitalised as a pooled asset.

Assets under construction

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

1.4 Depreciation

Land (forest estate, non-forest and Forest Holidays land) held under freehold is not depreciated.

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

Land held under a finance lease

- unexpired term of the lease

Lease premium

- unexpired term of the lease

Freehold buildings

- over 1 to 60 years

Buildings held under a finance lease

- lesser of unexpired term of lease and 60 years

Plant and machinery

- over 3 to 16 years

Information technology

- over 4 to 20 years

Software

- over 5 to 7 years

1.5 Government grants

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



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Notes to the resource accounts

revenue nature are credited to income so as to match them with the expenditure to which they relate. A Government Grant Reserve was introduced in 2005-06. As a result, the reported figures for Net Operating Cost and General Fund balance shown in the 2004-05 accounts have been re-stated; the overall Taxpayers' Equity included on the Balance Sheet remains unchanged from that previously reported.

1.6 Stocks

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

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

Cost of production and collection comprises labour and attributable administrative expenses based on the normal level of activity. Net realisable value is based on estimated selling

prices, less further costs expected to be incurred to completion and disposal.

1.7 Provision for bad and doubtful debts

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

1.8 Research and development

Forest Research (FR), an executive agency of the Forestry Commission, is responsible for carrying out forest research and allied work. The department commissions research from the agency and through external contracts awarded by a variety of means including open tender. Although forestry is a devolved subject, FR continues to be funded from Westminster.

1.9 Administrative and programme expenditure

The operating cost statement is analysed between administration and programme costs. Administration costs reflect the costs of running Forestry

Commission Wales, together with associated operating income, and programme costs include costs relating to managing the Assembly Woodlands and payments of grants. Programme income is generated from managing the Assembly Woodlands.

1.10 Grants payable

Grants payable to individuals and bodies by Forestry Commission in accordance with its statutory powers and duties are accounted for as they are approved for payment. No provision is made in the financial statements for grant offers made but not yet approved for payment, although they are quantified at note 24.

1.11 European Union (EU) funding

The Forestry Commission acts as an agent of the EU for third party grants paid from Objective 1 and Woodland Grant Scheme payments made under the national European Agricultural Guarantee and Guidance Fund. Once grants become recognised, contributions from the EU are claimed. If grants are subsequently recovered



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because of failure to fulfil the conditions of the Woodland Grant Scheme, the amount of co-financing may be repayable to the EU.

1.12 Capital charges

Charges, reflecting the cost of capital utilised by Forestry Commission Wales have been included under programme costs in the operating cost statement. The charge is calculated at the Government's standard rate of 3.5% in real terms on the average carrying amount of all assets less liabilities, except for cash balances held by the Office of the Paymaster General and amounts due to be surrendered to the Welsh Assembly.

1.13 Value Added Tax (VAT)

The Forestry Commission is registered for VAT. In order to comply with government accounting regulations and normal commercial practice, income and expenditure shown in the operating cost statement is net of VAT. The Forestry Commission accounts for VAT on a Great Britain basis with any VAT due to

or from HM Revenue and Customs at the year-end included in the Forestry Commission Great Britain/England accounts as a debtor or creditor in the balance sheet. Irrecoverable VAT is charged to the operating cost statement in the year in which it is incurred.

1.14 Insurance

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

1.15 Pensions

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

future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, Forestry Commission Wales recognises the contributions payable for the year.

Further information on pensions is contained in the Remuneration Report and note 5 to the accounts.

1.16 Provisions

Forestry Commission Wales provides for legal or constructive obligations which are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cashflows are discounted using the real rate set by HM Treasury (currently 2.2%).

1.17 Leases

Where substantially all the risks and rewards of ownership of a leased asset are borne by Forestry Commission Wales (a Finance Lease), the right to use the asset is initially recorded as a tangible fixed asset. A corresponding



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debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease discounted by the Treasury discount rate of 3.5%. Costs in respect of operating leases (any lease other than a Finance Lease) are charged on a straight-line basis over the lease term.

Assets held under Finance Leases are depreciated over the unexpired term of the lease. The value of each underlying asset is revalued annually as though ownership of the asset was vested in the Forestry Commissioners. The policies and procedures for carrying out the revaluations are those set out in 1.3 above.

1.18 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, Forestry Commission Wales discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of economic benefit is remote, but which have been reported to the National Assembly for

Wales in accordance with the requirements of Government Accounting.

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



Notes to the resource accounts

2. ANALYSIS OF NET RESOURCE OUTTURN BY SECTION

								2005-06 £000 Estimate	Restated 2004-05 £000
	Admin	Other current	Grants	Gross resource Expenditure	A in A	Net Total	Net Total	Net Total Outturn compared with Estimate	Prior-year outturn
Request for resources:									
Forestry Commission Wales	-	27,573	-	-	-	27,573	28,851	1,278	26,296
Resource Outturn	-	27,573	-	-	-	27,573	28,851	1,278	26,296

The difference between estimate and net total resource outturn is principally due to:

- 🌲 cost of capital being below estimate
- 🌲 a reduction in programme costs and an improvement in income from sales of timber
- 🌲 capital investment in machinery and roads infrastructure
- 🌲 savings on income from the sale of assets

Detailed explanations of the variances are given in the Management Commentary.



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Notes to the resource accounts

3. RECONCILIATION OF OUTTURN TO NET OPERATING COST

				2005-06	Restated 2004-05
				£000	£000
	Note	Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
Net Resource Outturn	2	27,573	28,851	1,278	26,296
Prior Period Adjustments		-	-	-	-
Non-supply income (CFERs)		-	-	-	-
Non-supply Expenditure		-	-	-	-
Net operating cost		27,573	28,851	1,278	26,296



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4. RECONCILIATION OF RESOURCES TO CASH REQUIREMENT

	Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate: saving/(excess)
Resources Outturn		28,851	27,573	1,278
Capital:				
• Acquisition of tangible fixed assets	11	-	2,006	(2,006)
• Investments		-	-	-
Non-operating cost A in A:				
• Proceeds of fixed asset disposals		-	(827)	827
Government grants applied to the acquisition of fixed assets		-	(1,312)	1,312
Accruals adjustments:				
• Non-cash items	6-Aug	-8,458	(5,568)	(2,890)
• Changes in working capital other than cash		742	(2,592)	3,334
• Changes in creditors falling due after more than one year	16	-	(37)	37
• Use of provision	17	-	120	(120)
• Timing between accrual and cash VAT	18	-	406	(406)
• Non-cash inter-country transfers	18	-	56	(56)
Net cash requirement		21,135	19,825	1,310



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5. STAFF NUMBERS AND RELATED COSTS

Staff costs comprise:

	2005-06 Total	Permanently employed staff	Others	2004-05 £000
Wages and salaries	9,000	9,000	-	9,350
Social security costs	669	669	-	701
Other pension costs	1,568	1,568	-	1,150
Agency staff	95	-	95	148
Total net costs	11,332	11,237	95	11,349

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Forestry Commission is unable to identify its share of the underlying assets and liabilities. The scheme's actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-06, employers' contributions of £1,566,000 were payable to the PCSPS (2004-05 £1,143,000) at one of four rates in the range 16.2% to 24.6% (2004-05 12% to 18.5%) bands of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2006-07, the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%. The contribution rates are set to meet the cost of the benefits

accruing during 2005-06 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 £1,800 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay.



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Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £100, 0.8% of pensionable pay, were

payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

AVERAGE NUMBER OF PERSONS EMPLOYED

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

Objective	2005-06 Number		Others	2004-05
	Total	Permanent staff		Number
Woodlands supporting effective and durable communities	156	155	1	142
Sustainable woodland management	77	76	1	75
Woodlands making a positive contribution to a thriving and sustainable Welsh economy	108	107	1	137
Woodlands contributing to more healthy and resilient environment	60	60	-	54
Total	401	398	3	408



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6. OTHER ADMINISTRATION COSTS

	2005-06	2004-05
	£000	£000
Operating leases	57	57
Other expenditure	6,664	5,760
Auditors' remuneration and expenses – audit work	47	55
Auditors' remuneration and expenses – non-audit work	-	-
Sub-total	6,768	5,872
Non-cash costs		
Depreciation	275	261
Impairment	8	(1)
Gain/loss on disposal of tangible fixed assets	-	4
Write-off of intangible fixed asset	2	-
Provisions		
Provided in year	76	193
Provisions not required written back	(131)	(70)
Unwinding of discount	7	(6)
Sub-total	237	381
Total	7,005	6,253

Other expenditure includes the cost of shared central services provided to Forestry Commission Wales. Shared central services are defined as those where a single provider is considered the best solution, in terms of practicality, cost or the needs of stakeholders although primary direction comes from the countries. Six areas of work are identified as shared services:

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

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



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

The Forest Research Agency provides research development and survey services to Forestry Commission Wales through a service level agreement and charges internal Forestry Commission Wales customers in the year. The Forest Research Agency is charged for shared services and business unit costs where appropriate.

7. OPERATING INCOME

	2005-06	2004-05
	£000	£000
	Total	Total
Operating income	192	365
	192	365

8. PROGRAMME COSTS

8.1 Programme expenditure

	2005-06	2004-05
	£000	£000
Management of Welsh Assembly Woodlands	13,863	16,488
Grants:		
Support for forestry and the rural economy, including grants paid to private woodland owners	3,444	3,445
Grants paid to private woodland owners from EU receipts	805	855
	4,249	4,300
Objective1 expenditure	3,829	2,477
Other programme costs, including research and publications	504	362
Cost of capital	5,232	5,043
Programme expenditure	27,677	28,670

	2005-06	2004-05
	£000	£000
Cash costs		
Hire of plant and machines	1,741	1,253
Non cash costs		
Cost of capital	5,232	5,043
Depreciation	397	463
	5,629	5,506



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8.2 Programme income

	2005-06	Restated 2004-05
	£000	£000
Operational income from Welsh Assembly Woodlands	11,469	15,593
Planting grant co-financing from EU	805	855
Objective 1 EU and NAW funding	5,715	2,834
Gain on disposal of properties including external costs	161	282
Publications income	21	24
Other income	78	23
Programme income	18,249	19,611
Included within programme income are the following amounts:		
Non cash amount		
Gain on disposal of tangible fixed assets excluding external costs	298	367



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9. MANAGEMENT OF WELSH ASSEMBLY WOODLANDS

Income and expenditure relating to the management of Assembly Woodlands:

	2005-06	Restated 2004-05
	£000	£000
Operating Income		
Sales of Timber	8,179	11,460
Forest Protection and Maintenance	49	80
Management and Development of Estate	3,404	3,588
	11,632	15,128
Operating Expenditure		
Forest Planning	1,729	1,544
Harvesting and Haulage of Timber	6,573	9,899
Forest Roads	2,396	1,489
Forest Protection and Maintenance	5,925	5,657
Management and Development of Estate	3,024	4,086
	19,647	22,675
Operating Deficit	(8,015)	(7,547)
Recreation, conservation & heritage		
Income	1,177	1,248
Expenditure	8,502	10,951
	(7,325)	(9,703)
Operating Deficit Net of Recreation ,Conservation & Heritage	(15,340)	(17,250)
Surplus/(deficit) on sale of properties	144	153
Deficit	(15,196)	(17,097)



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The net deficit for the management of Assembly Woodlands is included in the Operating Cost as follows:

	2005-06	Restated 2004-05
	£000	£000
Administration costs		
Staff costs	7,857	8,174
Other administration costs	5,068	8,417
Gross administration costs	12,925	16,591
Operating income	(123)	(107)
Net administration costs	12,802	16,484
Programme costs		
Expenditure	13,863	16,488
Less income	(11,469)	(15,875)
Net programme costs	2,394	613
Net operating costs	15,196	17,097

On the 8 May 2006, the Forestry Commission entered into a Joint Venture, constituted as a Limited Liability Partnership, with a private sector partner, the Camping and Caravan Club, to assist it drive the future growth of its Forest Holidays business. The partner will provide funding for modernisation and expansion of new and existing sites, management experience and expertise, together with the necessary skills and vision to grow the business. As part of the agreement, Forest Holidays cabin and campsite land and buildings have been transferred to the Joint Venture in exchange for a lease and loan debtor.

Included in programme expenditure and income above are

£154,000 and £185,000 amounts respectively relating to the Forest Holidays business.

Forestry Commission Wales has subsequently transferred to the Joint Venture £21,000 of income received in advance for holidays commencing on or after 8 May 2006 that belongs to the Joint Venture. All Forest Holidays' operations will in future be undertaken by the Joint Venture and Forestry Commission Wales will account for its share of the Joint Venture's profit and assets and liabilities in accordance with Financial Reporting Standard 9.

For 2005-06, Forest Holidays remained a GB wide business, with a remit for all sites in England, Wales and Scotland. For management purposes, Forest Holidays was part of Forest Enterprise England's recreation and development team but charges for Scotland and Wales are separately accounted for within each country. The income and expenditure for 2005-06 resulting from Forest Holidays' operations in Wales is considered to be not material and has not been disclosed within these financial statements as a discontinued operation under Financial Reporting Standard 3.

10. ANALYSIS OF NET OPERATING COST BY SPENDING BODY

		2005-06	Restated 2004-05
		£000	£000
	Estimate	Outturn	Outturn
Forestry Commission Wales	28,851	27,573	26,296
Net Operating Cost	28,851	27,573	26,296



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Notes to the resource accounts

11. TANGIBLE FIXED ASSETS

	Forest Estate	Land	Forest Holidays Land	Dwellings and Other Buildings	Forest Holidays Buildings	Plant and machinery	Information technology	POA and AUC	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation:									
At 1 April 2005	129,619	4,700	750	4,744	176	4,256	1,028	941	146,214
Additions	2	-	-	-	-	587	208	1,209	2,006
Transfers	-	-	-	702	-	(81)	1	(702)	(80)
Disposals	(394)	(68)	-	(35)	-	(529)	(26)	-	(1,052)
Revaluation	7,291	1,033	-	602	9	(77)	-	-	8,858
Impairment	-	-	-	-	-	-	(15)	-	(15)
At 31 March 2006	136,518	5,665	750	6,013	185	4,156	1,196	1,448	155,931
Depreciation:									
At 1 April 2005				648	26	2,651	738	-	4,063
Provided during year				257	9	325	81	-	672
Transfers				-	-	24	1	-	25
Disposals				(8)	-	(489)	(26)	-	(523)
Revaluation				46	-	(79)	-	-	(33)
Impairment				-	-	-	(7)	-	(7)
At 31 March 2006				943	35	2,432	787	-	4,197
At 31 March 2006	136,518	5,665	750	5,070	150	1,724	409	1,448	151,734
At 1 April 2005	129,619	4,700	750	4,096	150	1,605	290	941	142,151

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

Included in the revaluation figure for Forest Estate of £7,291,000 is an adjustment of £2,800,000 relating to the valuation as reported at 31 March 2005.



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The forest estate was subject to a full professional revaluation on the basis of existing use value as at 31 March 2003 by country valuation panels comprising John Clegg & Co. Chartered Surveyors, Raymond-Barker and Co. Chartered Surveyors and professionally qualified land agents employed by the Forestry Commission. The next full revaluation is due as at 31 March 2008 with annual updates in the intervening years based on an external professional opinion.

Non-forest land and dwellings and other buildings were scheduled to be re-assessed as at 31 March 2005 in accordance with the three-yearly interval stated in the previous accounting policy. It has been decided, however, to bring the policy in line with UK GAAP and undertake a professional valuation of non-forest land and dwellings and other buildings on a five-yearly basis. The first five-yearly valuation will be undertaken at 31 March 2008, to coincide with the next full revaluation of the Forest Estate, with annual updates in the intervening years based on indices provided by the District Valuer.

Forest Holidays land and buildings were revalued by Barrs and Co. Chartered Surveyors of Leeds as at 31 March 2006.

In accordance with the accounting policy 1.3 as at 31 March 2006 management had taken decisions to dispose of seventeen properties. These were at various stages in the disposal process from initial marketing through to acceptance of offers. The properties had a net book value of £779,356.

Plant and machinery were subject to a triennial revaluation as at 31 March 2005 by professionally qualified staff employed by the Forestry Commission. The next full revaluation is due as at 31

March 2008 with annual updates in the intervening years based on valuations provided by internal professionally qualified staff for specialist forestry machinery and indices provided by the Office for National Statistics for all other assets.

Information technology was restated to current value as at 31 March 2006 using an index provided by the Office for National Statistics.

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

12. INTANGIBLE FIXED ASSETS

Intangible fixed assets comprise purchase software licences.

	2005-06	2004-05
	£000	£000
Valuation:		
At 1 April 2005	2	-
Additions	-	2
Disposals	-	-
Write off	2	-
Revaluation	-	-
At 31 March	-	2
Amortisation:		
At 1 April 2005	-	-
Provided during year	-	-
Disposals	-	-
Revaluation	-	-
At 31 March	-	-
Net book value at 31 March	-	2



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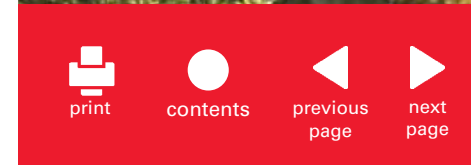
13. STOCKS AND WORK IN PROGRESS

	2005-06	2004-05
	£000	£000
Timber	533	553
Plants & seed	24	11
Consumable materials, supplies and livestock	188	107
Total	745	671

14. DEBTORS

14(a) Analysis by type

	2005-06	2004-05
	£000	£000
Amounts falling due within one year:		
Trade debtors	4,996	5,380
Other debtors	37	53
Prepayments and accrued income	639	655
Total	5,672	6,088
	2005-06	2004-05
	£000	£000
Amounts falling due after more than one year:		
Other debtors	40	46
Total	40	46



Notes to the resource accounts

14(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	£000		£000	
	2005-06	2004-05	2005-06	2004-05
Balances with other central government bodies	771	1,060	-	-
Balances with local authorities	32	88	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	1	-	-	-
Intra-government balances	804	1,148	-	-
Balances with bodies external to government	4,868	4,940	40	46
Total debtors at 31 March	5,672	6,088	40	46



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15. CASH AT BANK AND IN HAND

	2005-06	2004-05
	£000	£000
Balance at 1 April	1,159	2,037
Net change in cash balances:	1,540	-878
Balance at 31 March	2,699	1,159
The following balances at 31 March are held at:		
Balance with Office of Paymaster General	2,699	1,159
Cash at commercial banks and cash in hand	-	-
Balance at 31 March	2,699	1,159
The balance at 31 March comprises:		
Amounts issued from the Welsh Assembly for supply but not spent at year end	1,310	742
WEFO deferred income	1,389	417
Balance at 31 March	2,699	1,159

16. CREDITORS

16(a) Analysis by type

	2005-06	2004-05
	£000	£000
Amounts falling due within one year:		
Trade creditors	3,058	1,234
Other creditors	34	47
Payments received on account	-	18
Accruals and deferred income	2,864	1,455
Current part of finance leases	32	18
Amounts issued from the Welsh Assembly but not spent at 31 March	1,310	742
	7,298	3,514
	2005-06	2004-05
	£000	£000
Amounts falling due after more one year:		
Finance leases	284	247
	284	247



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Forestry Commission Wales is the lead partner in the GATE Project – Gaining Added Value for Timber – and its aim is to try to increase the use of timber in construction. Forestry Commission Wales receive funding from Interreg 111C Joint Technical Secretariat which is then distributed between the partners. As third party assets these sums are not recorded on the face of these accounts. At the 31 March 2006, the amount held in Forestry Commission bank accounts was nil.

16(b) Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	£000		£000	
	2005-06	2004-05	2005-06	2004-05
Balances with other central government bodies	1,310	749	-	-
Balances with local authorities	40	13	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	1	-	-	-
Intra-government balances	1,351	762	-	-
Balances with bodies external to government	5,947	2,752	284	247
Total creditors at 31 March	7,298	3,514	284	247



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Notes to the resource accounts

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Early departure cost	Public legal claims	Other legal claims	Total
	£000	£000	£000	£000
Balance at 1 April 2005	199	63	137	399
Provided in the year	-	48	28	76
Provisions not required written back	-	-28	-103	-131
Utilised in the year	-81	-	-39	-120
Unwinding of discount	7	-	-	7
Balance at 31 March 2006	125	83	23	231

17(a) Early departure costs

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

17(b) Legal claims

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

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 25. Public legal claims are those claims from the public for personal injury or damage caused to property, and other legal claims are for compensation for injury to employees.



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18. GENERAL FUND

The General Fund represents the total assets less liabilities to the extent that the total is not represented by other reserves and financing items.

	2005-06	Restated 2004-05
	£000	£000
Balance at 1 April	117,233	117,593
Net operating cost for the year	-27,573	-26,296
Funding from the Welsh Assembly:		
Drawn down	20,393	19,723
Deemed supply	742	2,037
Amounts issued from the Welsh Assembly for supply but not spent	-1,310	-742
Notional cost of capital	5,232	5,043
Transfer of fixed assets from/to other forestry bodies	-105	-137
Transfer from Revaluation Reserve	62	7
Timing between accrual and cash VAT	-406	-
Non-cash inter-country transfers	-56	5
Balance at 31 March	114,212	117,233

19. RESERVES

19(a) Revaluation Reserve

The Revaluation Reserve reflects the unrealised element of the cumulative balance of professional valuations and indexation.

	2005-06	2004-05
	£000	£000
Balance at 1 April	27,972	24,597
Arising on revaluation during the year		
Forest Estate	7,291	1505
Land	1,033	1389
Forest Holidays land	-	100
Forest Holidays buildings	9	9
Dwellings and other buildings	556	405
VME	2	-26
	8,891	3382
Transferred to general fund in respect of realised element of revaluation reserve	-62	-7
Balance at 31 March	36,801	27972



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Notes to the resource accounts

19(a) Revaluation Reserve

	2005-06	Restated 2004-05
	£000	£000
Balance at 1 April	752	-
Additions during the year	1,312	752
Revaluations	-	-
Release to I&E	-	-
Balance at 31 March	2,064	752



20. NOTES TO THE CASH FLOW STATEMENT

20(a) Reconciliation of operating cost to operating cash flows

		2005-06	Restated 2004-05
		£000	£000
Net operating cost		-27,573	-26,296
Adjustments for non-cash transactions	6/8	5,568	5,520
Timing between accrual and cash VAT		-406	-
Non-cash inter-country transfers		-56	5
(Increase)/decrease in stock		-74	591
(Increase)/decrease in debtors		422	-638
Increase/(decrease) in creditors		3,821	-1,099
less movements in creditors relating to items not passing through OCS		-1,540	878
Use of provisions	17	-120	-123
Net cash outflow from operating activities		-19,958	-21,162



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Notes to the resource accounts

20(b) Analysis of capital expenditure and financial investment

		2005-06	2004-05
		£000	£000
Tangible fixed asset additions	11	(2,006)	(1,240)
Intangible fixed asset additions	12	-	(2)
Proceeds of disposal of fixed assets		827	715
Loans to other bodies		-	-
Repayment of loans to other bodies		-	-
Net cash outflow from investing activities		(1,179)	(527)

20(c). Analysis of capital expenditure and financial investment by Request for Resources

	Capital expenditure	A in A	Net Total
	£000	£000	£000
Request for resources	2,006	(827)	1,179
Net movement in debtors/creditors	-	-	-
Total 2005-06	2,006	(827)	1,179
Total 2004-05	1,242	(715)	527

20(d) Analysis of financing

		2005-06	2004-05
	Note	£000	£000
From the Welsh Assembly	18	21,135	21,760
Deemed supply		(742)	(2,037)
Government grant applied to the acquisition of fixed assets		1,312	752
Capital element of payments in respect of finance leases		-	-81
Net financing		21,705	20,394

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

		2005-06	2004-05
	Note	£000	£000
Net cash requirement		(19,825)	(21,018)
From Welsh Assembly	20(d)	21,135	21,760
Deemed supply		(742)	(2,037)
WEFO deferred income		972	417
Increase/(decrease) in cash		1,540	-878



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Notes to the resource accounts

21. NOTES TO THE CONSOLIDATED STATEMENT OF OPERATING COSTS BY DEPARTMENTAL AIM AND OBJECTIVES

Expenditure in net operating costs by Department Aim and Objectives comprises the direct costs incurred by Forestry Commission Wales' national office and indirect costs which have been allocated by individual cost centres or apportioned pro rata to the directly attributable costs. An analysis was undertaken to determine the costs attributable to each of the objectives for the core department. In a multi-benefit forestry strategy where many activities will contribute to more than one objective, the allocation of costs has been undertaken by senior staff in each area based on an informed judgement of each activity.

22. CAPITAL COMMITMENTS

Amounts contracted for but not provided for in the accounts amounted to £429,000 pertaining to the Coed y Brenin project.

23. COMMITMENTS UNDER LEASES

23.1 Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2005-06	2004-05
	£000	£000
Obligations under operating leases comprise:		
Buildings:		
Expiry within 1 year	-	-
Expiry after 1 year but not more than 5 years	-	-
Expiry thereafter	57	57
Total	57	57
Other:		
Expiry within 1 year	11	123
Expiry after 1 year but not more than 5 years	411	419
Expiry thereafter	40	101
Total	462	643

23.2 Finance leases

Obligations under finance leases are as follows:

	2005-06	2004-05
	£000	£000
Rentals due in one year or less	32	18
Rentals due in more than one year but not more than two years	29	19
Rentals due in more than two years but not more than five years	44	50
Rentals due in more than five years	211	178
Total	316	265



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Notes to the resource accounts

24. OTHER FINANCIAL COMMITMENTS

Following approval of a management plan for planting proposals, Forestry Commission Wales undertakes to pay planting grants in two instalments. Forestry Commission Wales was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £2.3 million as at 31 March 2006 (£2.7 million in 2004-05). Grants for the management of existing woodlands are payable annually in arrears during the five-year currency of an approved plan, so long as specific objectives and age criteria are met. Commitments to future payments in respect of approved plans amounted to £0.9 million at 31 March 2006 (£1.4 million in 2004-05). Applications for planting and replanting grants, awaiting approval at 31 March 2006, amounted to £0.8 million (£0.5 million in 2004-05).

25. CONTINGENT LIABILITIES DISCLOSED UNDER FRS 12

A number of legal claims have been made from the public amounting to £32,500 and from employees for deafness cases amounting to £114,000. Legal advice indicates that the claims can be successfully resisted and that no damages are likely to be awarded.

26. LOSSES AND SPECIAL PAYMENTS

	2005-06		2004-05	
	Number	£000	Number	£000
Losses total	26	66	18	19
Special payments total	11	34	15	92

27. RELATED PARTY TRANSACTIONS

Forestry Commission Wales has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission Wales has had dealings are H M Treasury, Welsh Assembly, UK Co-ordinating Body, the Paymaster General's Office, HM Revenue and Customs and the Department for the Environment, Food and Rural Affairs.

In the year to 31 March 2006, Forestry Commission Wales entered into the following material transactions involving the non-executive Commissioners of the Forestry Commission:-

Martin Gale, a non-executive Forestry Commissioner was, at 31 March 2006, Chairman of Tilhill Forestry and Vice President, International Forestry, UPM-Kymmene Corporation. UPM-Kymmene is the parent company of Shotton Paper, Caledonian Paper and Tilhill Forestry Ltd. Tilhill Forestry has an interest in BSW Timber plc



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Notes to the resource accounts

The value of purchases from Forestry Commission Wales was:

BSW Timber plc	£1,393,000
Tilhill Forestry	£1,411,000

Amounts owing to Forestry Commission Wales at 31 March 2006 was:

BSW Timber plc	£105,000
Tilhill Forestry	£324,000

28. FINANCIAL INSTRUMENTS

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

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

Liquidity risk

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

Interest-rate risk

Forestry Commission Wales is not exposed to interest-rate risk.

Foreign currency risk

Forestry Commission Wales is not exposed to foreign currency risk.

Fair Values

There is no difference between book value and fair value for the cash at bank shown in Note 15. Fair value for the provisions shown in Note 17 is not significantly different from book value since, in the calculation of book value, the expected cash flows have been discounted by the Treasury rate of 2.2% in real terms.

29. ENTITIES WITHIN THE DEPARTMENTAL BOUNDARY

There were no other entities within the boundary during 2005-06.



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Accounts direction given by the Treasury

FORESTRY COMMISSION WALES

ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH PARAGRAPH 5 OF SCHEDULE 7 TO THE GOVERNMENT OF WALES ACT 1998

1. Subject to the requirements of paragraph 2 below, the Forestry Commission shall prepare resource accounts for the year ended 31 March 2005 in respect of its activities in Wales in compliance with the accounting principles and disclosure requirements of the H M Treasury Resource Accounting Manual ("the Resource Accounting Manual"). In subsequent financial years, the resource accounts shall comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual issued by H M Treasury in force for that financial year.
2. In addition to the requirements of the Resource Accounting Manual/ Government Financial Reporting Manual, the accounts shall include
 - a. (2004-05 only) a note showing the impact of the absorption of Forest Enterprise Wales; and
 - b. a note ("Management of Welsh Assembly Woodlands") analysing the income and expenditure of the operations of Forest Enterprise in Wales, together with comparative figures for the previous financial year.
3. The accounts shall be prepared so as to give a true and fair view of the state of affairs of the body as at 31 March of the financial year to which it applies, and the net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year then ended.
4. Compliance with the requirements of the Resource Accounting Manual/Government Financial Manual will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the Resource Accounting Manual/Government Financial Manual is inconsistent with the requirement to give a true and fair view the requirements of the Resource Accounting Manual/Government Financial Manual should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment, which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the Resource Accounting Manual/Government Financial Manual. Any material departure from the Resource Accounting Manual/Government Financial Manual should be discussed in the first instance with the Treasury.
5. This direction supersedes that given to the Forestry Commission dated 25 October 2000.

David A Cruden FCA
Head of the Central Accountancy Team, H M Treasury
9 September 2005



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