



Comisiwn Coedwigaeth Cymru  
Forestry Commission Wales

# Annual Report and Accounts 2010-11



Llywodraeth Cynulliad Cymru  
Welsh Assembly Government



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## Foreword

### **By the Chair, FC National Committee for Wales and the Director FC Wales**

Forestry in Great Britain hit the headlines this year in a way that has not been seen for several decades. A lot of the media coverage was in relation to the UK Government's plans for changing the way the public forest is managed in England. However, we in Wales also had significant interest from Assembly Members and the media in how these proposals might impact on Wales.

This increased interest in the work we do prompted a debate on forestry in the chamber of the National Assembly for Wales, as well as an invitation to provide evidence to the Sustainability Committees of the Assembly who were looking into the Assembly Government's idea of creating a single environmental body in Wales. A copy of the evidence we provided and a transcript of the discussion can be found on the National Assembly website and we believe they provide a clear indication of the importance of forestry in Wales and the contribution FC Wales is making to the discussion of this potentially far-reaching proposal.

A major highlight of the year was the completion of the report on the *Options for the Future Management of the Assembly Government Woodland Estate*. We presented our findings in October 2010 and were pleased to note the Welsh Assembly Government's strong commitment to maintaining a public woodland estate in Wales. We also received clear directions on how we should seek to change some aspects of our management of this estate in order to maximise the wide range of benefits it provides to the public.

Chief amongst these was the Government's wish that we demonstrate greater enterprise and a more dynamic approach to the management of this valuable public resource. In addition to this we have been asked to investigate the re-positioning of some areas of the estate in order to provide resources to purchase, or create, woodland in locations that can provide greater public benefit.

Our managers had a challenging year with another severe winter presenting difficulties for our harvesting teams and their ability to ensure that timber supplies continued to reach our customers. Along with the need to take rapid action to control the outbreak of the devastating tree pathogen, *Phytophthora ramorum* in south Wales, our operational capability was put under great pressure. However, our staff once again rose to meet these challenges as well as continuing to make very good progress towards achieving our corporate targets.

We continue to extend the range of access opportunities we offer in the woodlands we manage to all members of the public. A new all-ability trail is now available at our

Garwnant Visitor centre allowing easy access to explore the forest for visitors with wheelchairs, electric buggies and pushchairs. Garwnant is one of the few sites in Wales to have a *Changing Places* disabled facility, with the latest technology for people to use.

In Coed-y-Brenin Forest Park a number of all-ability trails have been developed to enable visitors to enjoy the sights, sounds and smells of woodland. Paths lead from the Visitor Centre to a children's play area and animal puzzle trail, picnic sites, sculptures, and a Forest Garden that includes information on the trees and plants growing there. MP3 audio trails, Braille maps and tactile sculptures also provide opportunities for people with sensory impairments to enjoy the benefits from access to green space.

We have made excellent progress in the area of business sustainability where our energy consumption was 4.5 per cent lower than in 2009/10 - a considerable achievement given the severity of the winter weather. We also achieved a reduction in our travel emissions with a significant fall in air miles, together with a considerable increase in rail mileage leading to a 20 per cent reduction in travel emissions compared to 2009/10.

Looking forward, there are uncertain but potentially exciting times ahead, but our new Corporate Plan and Action Plan enables us to focus on the work we have to do so that we can continue to deliver a Welsh woodland resource that can provide benefits to future generations.



**Jon Owen Jones**  
**Chair, National Committee**



**Trefor Owen**  
**Director**

## Our Purpose

Woodlands cover 14.3 per cent of the land area of Wales and Forestry Commission Wales (FCW) manages 38 per cent of this woodland on behalf of the Welsh Assembly Government.

Woodlands and trees can make a big difference – not just to our lives but potentially to those of future generations too. The environments they create offer superb opportunities for people, businesses and biodiversity. The timber they yield is a key renewable resource that helps lock up carbon, has a very low carbon footprint, and helps to support the Welsh Assembly Government’s sustainable development and climate change agendas.

Woodland has long been recognised as a valuable setting for a wide range of community activities and public involvement for all sectors of society. They can help to improve people’s health and well-being, support community development and provide learning opportunities. Well managed, welcoming woodlands provide an excellent setting for outdoor recreation such as walking, cycling and horse riding and an estimated 4.1 million visits are made to FCW managed woodlands every year.

The Welsh Assembly Government (WAG) has responsibility for forestry in Wales and FCW acts as the WAG’s Department of Forestry, as well as being part of the Forestry Commission of Great Britain. In order to deliver our remit we work in three main ways:

### **1. We develop forestry policy and advise the Welsh Assembly Government on forestry matters**

#### **The All Woodland National Forest Inventory Map for Wales**

The National Forest Inventory (NFI) is a definitive data set showing woodland area and type across Great Britain. It will replace the National Inventory of Woodlands and Trees published in 2002 and will act as our key data source for a range of indicators for *Woodlands for Wales* and for our Corporate Performance Measures. It will also act as a base map for our Glastir work.

The NFI all-woodland area map for Wales is the first part of the NFI work to be publicly released and has been incorporated into the Wales chapter of the National Ecosystem Assessment published in March 2011.

## The Revised Ancient Woodland Inventory

A revision of the Ancient Woodland Inventory has been undertaken following a pilot project run in 2008. This project has been run in partnership with the Countryside Council for Wales and involves comparing current woodland cover with that shown on maps from approximately 1850, in order to produce a more accurate inventory than the previous provisional Ancient Woodland Inventory published in 2004.

Initial findings suggest an increase in ancient woodland area, both on and off the Assembly Government Woodland Estate. This has obvious implications for its future management and particularly our Plantations on Ancient Woodland Sites (PAWS) restoration programme. Final publication of the Ancient Woodland Inventory cannot take place until the release of the NFI base map including *Interpreted Forest Types* into the public domain, likely to be in the late summer/early autumn 2011. In the meantime the implications for the future management of these areas are being considered.

## The Wales Deer Strategy

The Minister for Rural Affairs launched the Strategy for the *Management of Wild Deer in Wales* in February 2011. The rationale for a strategy was that although wild deer are not as numerous or widespread in Wales as in other parts of the UK, their numbers and distribution are both increasing along with their impact. Potential negative impacts include damage to native flora, agricultural crops and trees, road traffic incidents, as well as potential TB transmission.

The Strategy defines the range of techniques that make up active deer management and that through a co-ordinated approach there is an opportunity to ensure that Wales benefits from a wild deer population in balance with the environment (human, commercial and natural). It was developed with input from colleagues in the Welsh Assembly Government, the Countryside Council for Wales and The Deer Initiative, and it can be found on the FC Wales website.

## Woodlands and You

Amongst several important policy positions developed in 2011 is our public involvement framework, *Woodlands and You*. FC Wales worked with community and social enterprises to develop a standard process to assess and facilitate requests from such groups to undertake activity on the public estate. Proposals received to date have been wide-ranging, from lease and sale to structured community consultation of Forest Design Plans. Detailed guidance is being developed for our staff and proposers and case studies will be used to refine the process. The consistency that the Framework will bring will give greater clarity and structure to decision making and will lead to more efficient ways of delivering this work.



## 2. We manage the public woodland estate owned by the Welsh Ministers

### Timber Sales

We worked through another extremely difficult winter with disruption to both our own direct production programmes, as well as to those of our standing sales customers. The lessons we learnt from 2009/10's harsh winter were put into place to enable us to continue to harvest and deliver timber, despite the very adverse conditions. Although we were able to maintain production, the damage done to the forest road network by the prolonged freeze and subsequent thaw of the roads led to a significant increase in the amount of repair work we had to carry out.

We successfully managed to maintain our production and ended the year having supplied 858,000m<sup>3</sup> to the timber market. We achieved the planned harvesting programme including 194,000m<sup>3</sup> of thinning. This represented an increase on last year's programme of 183,000m<sup>3</sup> of thinning and underlines our intention to increase our thinning programme to 223,000m<sup>3</sup> in 2011/12.

The market remained buoyant with most lots in the March 2011 open market sale achieving, or exceeding their reserve value. This was the first open sale to include material infected by the pathogen *P. ramorum*, and there was reasonable competition for these lots. This demonstrates that the timber trade has responded well to the challenge of marketing these higher than usual levels of this material.

### Renewable Energy

The wind energy programme we are managing on behalf of the Welsh Assembly Government continues to make progress. Several of the prospective developers have now submitted their applications to the relevant planning authorities. A concept design for a new road access to the Nant-y-Moch Project (SSA-D) has now been developed with the Option Holder.

Two staff from the Energy Saving Trust have been seconded to FC Wales for the promotion and management of hydro energy developments in order to assist the delivery of this area of work.

The Wood Energy Business Scheme 2 (WEBS2) has now approved 42 grant applications with a combined value of £904,808. Of these, 22 projects have been completed with a combined value of £272,622.

## Plant Health

Plant health is an essential part of our remit in seeking ways of resisting pests and diseases that could cause significant damage to woodlands, especially in light of the expected impact of climate change. We have had to deal with a major outbreak of tree disease this year with *P. ramorum* affecting large areas of larch in south Wales. Our swift response to this threat has meant that we have been able to limit its spread in the short term but we must continue to be vigilant in ensuring that our woodlands are as robust and diverse as possible in order to resist future such attacks.

We continue to urge woodland managers to be diligent about inspecting their trees regularly for signs of disease and decline, and to report any suspicious symptoms. Additional resources have been secured to assist with the costs of monitoring and surveying stands of larch in order to assess the extent of the pathogen's spread. A comprehensive report on the outbreak of *P. ramorum* in larch is available on our website.

## The Future Role of the Assembly Government Woodland Estate (AGWE)

At the request of Elin Jones, the then Minister for Rural Affairs, FC Wales produced a research report into the future role and purpose of the AGWE. The Minister used the research report as the basis for a statement to the National Assembly for Wales where she confirmed that she wanted us to adopt a more dynamic approach to the ownership and the management of the public forest estate, and to look for opportunities for greater enterprise in our activities where this is compatible with our other objectives.

The Minister stressed the importance of getting best value for money from the Estate in delivering social and environmental outcomes as well as our commercial activities. The Minister suggested several areas of activities such as the development of small scale hydro-power schemes and partnerships to increase the recreation opportunities offered on the Estate on which we should focus.

## **3. We provide grant aid to woodland owners and managers and regulate forestry through felling licences:**

### Woodland Grants

The Better Woodlands for Wales scheme (BWW) closed to new applicants in December 2010. All the applications will be processed in 2011, with successful applicants being offered a contract before BWW finally closes. A total of £3.4m grant aid was claimed during 2010/11, which was slightly more than the agreed budget. This is the highest level of grant claimed in one year for BWW.

During 2010, FC Wales developed the new Glastir Woodland Creation scheme for the Welsh Assembly Government. Glastir is the new integrated land management grant scheme for Wales. The Woodland Creation Grant Scheme was launched in October 2010 and FC Wales will administer it as a 'stand alone' element of Glastir until 2013.

Also in 2010, we commenced development of the Glastir Woodland Management grants for existing woodlands. FC Wales has engaged with a range of stakeholders in order to receive their feedback on the development of the scheme and aims to complete this work in the summer of 2011.

From 1 January 2013, all grants to purchase public benefits from woodlands will be delivered through Glastir with the aim of delivering those benefits in the areas of public policy that are linked to Woodlands for Wales outcomes. FC Wales' Grants and Regulations Team will continue to work with the Welsh Assembly Government to ensure that we continue to purchase further public benefits from woodlands through the Glastir scheme and will develop guidance and support materials associated with the woodland management grants for the applicants and project officers.

## Managing our Organisation

FC Wales faces the same financial challenges as other publicly funded bodies, although we have worked hard with our colleagues in the Welsh Assembly Government to secure sufficient resources to enable us to deliver our work. Details of our finances and how we have used them can be found later in this document.

A major element of corporate improvement has come from the ongoing implementation of the Wales Audit Office (WAO) Value for Money Report – *Operations of the Forestry Commission Wales* (November 2008). We are mid way through a three-year programme of work to implement the 13 recommendations made by the WAO in order to attain the improvements in efficiency and corporate governance that they are designed to achieve.

The refreshed Corporate Plan 2011 – 2014, *Our Purpose and Direction*, sets out our actions for 2011/12 against the ten corporate programmes. A copy of the Corporate Plan can be found on our website at: [Corporate Plan](#)

Ours is a diverse and progressive organisation with many customers and there are occasions when we don't always perform as well as we would like. One such case has been the management of the Ffynone and Cilgwyn Cyd Coed project which, despite the best of intentions, has proved unpopular with some local residents. Over the longer term however, there is no reason why it can't achieve its aims in respect of a well-managed community woodland development project. Nevertheless we have learnt some important

business-related lessons as a consequence and we have put measures in place to ensure improved accountability for such projects in the future.

## People and Diversity

We employed 392 full time equivalent staff in Wales last year and received £24.7m of funding from the Welsh Assembly Government in addition to generating £19m of income from our own activities.

FC Wales has recently concluded our Modern Apprenticeship scheme. FC Wales took on seven apprentices in 2009 with three taking up long term appointments with us, one of whom was named Lifelong Learner of the Year 2010 by Lantra, the Sector Skills Council for land based and environmental industries. Their annual awards ceremony recognises the most inspirational people working in the environmental and land based industries in Wales. At the same ceremony another FC Wales apprentice was awarded a Certificate of Achievement.

We have developed a Bilingual Skills Strategy to ensure our staff have the right Welsh language skills to deliver our Corporate Plan and programmes in the future. The strategy takes a long-term view (15 years) and identifies actions to help the business increase its Welsh language capability across Wales. We have identified roles where knowledge of the Welsh language is critical. We have devised ways in which people can develop their existing Welsh language proficiency together with the provision of long-term actions that can be taken to address gaps.

## Business Sustainability

As part of our Business Sustainability Project, we reduced our energy consumption by nearly six per cent this year. The wood-based heating systems installed in our Welshpool and Resolven offices became operational and we plan to install a similar system in our remaining major operational office at Llandovery in 2011.

Our total vehicle mileage reduced by more than seven per cent. This reduction in mileage and the continued improvement in the CO<sub>2</sub> ratings of the vehicles fleet led to a 20 per cent reduction of carbon emissions since 2009/10.

## The Natural Environment Framework (NEF) and the Environmental Delivery Options Project (EDO)

In July 2010 the Welsh Assembly Government started a review of its natural environment work in Wales in order to develop a Natural Environment Framework (NEF) that will set out how it will enable Wales' land and water to deliver long-term well-being reflecting its guiding principle of sustainable development.

The Welsh Assembly Government, Environment Agency Wales, the Countryside Council for Wales and FC Wales are involved in a process to investigate a restructuring of delivery arrangements and functions (the Environmental Delivery Options Review, EDO) in order to give best value in delivering an integrated, eco-system approach to the natural environment.

In order to inform this work the two Forestry Commissioners who represent Wales, Jon Owen Jones and Judith Webb, have been appointed as members of the EDO/NEF Steering Group who oversee the project. This group is chaired by Clive Bates, Director General Sustainable Futures in the Welsh Assembly Government and includes senior officials from all the organisations involved. Members of the FC Wales Management Forum attended three workshops held across Wales during March 2011, and provided their input into the development of a business case to assess the costs and benefits of this proposal. It is expected to be delivered to Welsh Ministers in the autumn of 2011.

## FC Wales Corporate Governance

The powers of the Forestry Commission are vested in a Board of Commissioners whose mission is to protect and expand the forests and woodlands of England, Scotland and Wales to increase their value to society and the environment. As most forestry issues are devolved matters, the Commissioners report separately to Ministers in each country and have delegated many of their responsibilities to a National Committee in each country.

The Welsh Assembly Government Minister for Rural Affairs, Elin Jones AM was responsible for Forestry Commission Wales activities during the year.

In order to link effectively with our Welsh Assembly Government colleagues (who act on behalf of the Welsh Ministers in delivering all of the devolved powers in such areas as health, education, transport, economic development and many other matters) FC Wales acts as if it were a division of the Welsh Assembly Government.

## Committees and Boards

### The National Committee for Wales

The National Committee has a range of duties related to ensuring that FC Wales delivers the objectives set out in the FC Wales Corporate Plan which they approve. The Committee also considers the advice from the Woodland Strategy Advisory Panel concerning all aspects of the implementation of the *Woodlands for Wales* strategy.

The members of the National Committee during the year were:

<b>Jon Owen Jones</b>	Forestry Commissioner for Wales and Chair of the Committee
<b>Judith Webb MBE</b>	Forestry Commissioner for Wales
<b>Roger Cooper MBE</b>	Chair of the Woodland Strategy Advisory Panel
<b>John Lloyd Jones OBE</b>	Non-Executive Member
<b>Rory O’Sullivan</b>	Director for Rural Affairs, Welsh Assembly Government
<b>Trefor Owen</b>	Director Forestry Commission Wales and Forestry Commissioner for Wales
<b>Peter Garson</b>	FC Wales Head of Estate Management
<b>Clive Thomas</b>	FC Wales Head of Policy and Programme Development

The Committee met six times during the year and a record of its membership, papers and minutes can be found on the FC Wales website at: [National Committee](#)

### The Management Board

FC Wales Management Board has the day-to-day responsibility for the running of the Organisation and during the year the Board covered a wide range of issues. The Board met seven times during the year and its membership, agendas and minutes of meetings are published on the FC Wales website at: [Management Board](#). A register of interests is maintained and can be accessed on the FC Wales website.

### The Woodland Strategy Advisory Panel

The Panel’s purpose is “To act as an Advisory Panel to both Ministers and Forestry Commissioners on the implementation of the Wales Woodland Strategy and its periodic reviews” and they were re-appointed for a five-year term from 1 January 2007. The Panel met three times during the year and a record of their membership, papers and minutes can be found on the FC Wales website at: [Woodland Strategy Advisory Panel](#).

### Audit and Risk

The National Committee for Wales has established an Audit and Risk Committee as a sub-committee to support them in their responsibilities for issues of risk, control and governance. The Audit and Risk Committee also reviews the scope and results of internal audit work across FC Wales and of the implementation of the recommendations from external auditors (the Wales Audit Office) and the Public Accounts Committee of the National Assembly for Wales. The Committee met three times during the year.

## Performance and Business Measures

The table below shows that at the end of the second year of our three year corporate plan we are on track to meet 27 of our 46 corporate performance measures (CPMs) and business measures (BMs). The year has seen improvements against such key targets as the amount of thinning done on the public estate and the percentage of staff with a self declared disability.

We are currently behind in three targets including the area of new native woodland created but the rate of planting has increased following the opening of the Glastir Woodland Creation Grant Scheme and if this continues we should be able to meet the three year target.

There are five measures where we will need to make significant progress over the next twelve months if we are to meet them. These include the area of new woodland created and the amount of hardwood harvested. The opening of the Glastir Woodland Creation Scheme increases our ability to meet the first of these targets but despite the increased demand for wood-fuel the amount of hardwood being harvested remains below the target we set at the start of the three year period. We are improving our data gathering in order to ensure we capture all the activity in this area over the final year of the corporate plan.

The position at the end of March 2011 was:

	CPMs	BMs	Total
<b>On track to meet target (green)</b>	15	12	<b>27</b>
<b>Some risk of failing target (amber)</b>	3	0	<b>3</b>
<b>High risk of failing target (red)</b>	5	0	<b>5</b>
Insufficient information available to track progress, or no target set	8	3	<b>11</b>
<b>Total</b>	<b>31</b>	<b>15</b>	<b>46</b>

By comparison, the position at the end of March 2010 was:

	CPMs	BMs	Total
<b>On track to meet target (green)</b>	10	9	<b>19</b>
<b>Some risk of failing target (amber)</b>	6	2	<b>8</b>
<b>Not on track to meet target (red)</b>	1	0	<b>1</b>
On target to set baseline and/ or target by agreed date	3	2	<b>5</b>
Insufficient information available to track progress	11	2	<b>13</b>
<b>Total</b>	<b>31</b>	<b>15</b>	<b>46</b>



### **Notes to Performance Measures:**

We use a traffic light system to report our performance against the suite of corporate performance measures where green indicates we are on track to meet the target; amber where are close to target but need improvement to be confident it will be achieved and red to indicate that we are behind the target and need to increase our progress if it is to be met.

Some of our targets are deliberately ambitious or involve the work of others in order to be achieved. Where our performance against targets has been flagged as red or amber, we are actively looking at our approaches, working practises or influence in order to progress these areas of work.

For targets shown as having insufficient information to track progress, or where no target has been set the data is available but methods of measurement are being refined, or more data is being gathered in order to provide better quality information, or to establish a trend so that a meaningful target may be set in the future.

## Summary Table of Performance Measures

			<b>Performance Measures</b>	<b>Measure</b>	<b>Position at end 2010/11</b>	<b>2009-2012 target</b>	<b>2025 target</b>
Implementing Woodlands for Wales	Managing our organisation	Responding to climate change	1. Woodland in sustainable mgt	Area of woodland certified or with approved BWW management plan	Certification retained. 24,900 ha BWW plans approved since 1 <sup>st</sup> April 2009	Certification retained. 12,000 ha BWW plans approved since 1 <sup>st</sup> April 2009	180,000 ha
			2. Woodland creation	Area of new woodland created	504 ha created since 1 <sup>st</sup> April 2009	1,500 ha over 3 years	<i>Not set</i>
			3. Woodland area managed without clearfelling	a) Area of AGWE managed without clearfell	37,450 ha	40,300 ha	<i>Not set</i>
				b) Area outside AGWE managed by CCF or under transformation to CCF	187 ha in BWW approved for conversion since 1 <sup>st</sup> April 2009	<i>No target</i>	<i>Not set</i>
				c) Average annual thinning volume on AGWE	378 k m <sup>3</sup> since 1 <sup>st</sup> April 2009	600,000 m <sup>3</sup> over 3 years	Average 280,000 m <sup>3</sup> /yr
			4. Tree diversity in non-native woodland	a) Proportion of non-native woodland with 1, 2, or 3+ species	Update due April 2014	<i>No target</i>	<i>Not set</i>
				b) Mean number of species in non-native woodland in Wales	Update due April 2014	<i>No target</i>	<i>Not set</i>
				c) Development & implementation of operational guidance	Development complete. Implementation on schedule	Develop and implement guidance from 10/11	<i>Not set</i>
			5. Climate change mitigation	a) Softwood harvest/availability ratio on the AGWE	2010: 10-yr average = 86%; in year ratio = 93%	10-yr rolling average 86% (each yr within 77%-98%)	10-yr rolling average 86% (each yr within 77%-98%)
				b) Hardwood harvest (or % harvest of annual increment)	27,000 m <sup>3</sup> obs in 2010	108,000 m <sup>3</sup> obs over 3 years	25%
				c) Installed capacity of wind farms on AGWE	59 MW	150 MW	700MW
			6. Level of public involvement with woodland	a) Consultation on woodland plans (% adults)	3.5% ± 1.1% in 2011	4% in 2009 and 2011	<i>Not set</i>
				b) Membership of woodland community groups (% adults)	2.6% ± 1.0% in 2011	2% in 2009 and 2011	3%
				c) Area of woodland owned by/leased to community groups	Update due March 2012	624 ha owned or leased	<i>Not set</i>
				d) Involvement in woodland education (% households)	10.4% ± 2.3% in 2011	10% in 2009 and 2011	Maintain around 10%
		e) Use of woodland for recreation in last year (% adults)		64% in 2011	40% in 2011.	<i>Not set</i>	
		f) Proportion of AGWE visits that are a high quality experience		92% of visits rated highly. >82% at all sites	85% visits rated highly, and no site with <75% highly rated visits	<i>Not set</i>	
		g) Easy access to woodland without a car (% adults)		60% ± 3% in 2011	62% in 2009 and 2011	70%	
		h) Access to 2ha+ wood within 500m (% population)		17% in 2009	17% in 2010/11.	25%	
		i) Access to 20ha+ wood within 4km (% population)		77% in 2009	72% in 2010/11	72%	
		7. Level of woodland and timber related enterprise	a) Wales index of Gross Value Added of the forestry sector (baseline year = 2004) compared to UK index	2008 Welsh GVA index = 90. 2008 UK Index = 93	Welsh GVA index maintained at or above level of UK index	Welsh GVA index at or above level of UK index	
			b) Generation of income and products from farm woodland	Update due 2012	6% of farmers harvesting material for sale	<i>Not set</i>	
			c) Gross Value Added contribution from small businesses	In 2008, 27% employment is in small businesses	<i>No target</i>	<i>Not set</i>	
			d) Proportion of harvested timber that is processed in Wales	68% in 2009	70% in 2012	74%	
			e) Proportion of new builds that are timber frame	26% in 2009	16% in 2012	<i>Not set</i>	
		Environmental Quality	8. Native woodland extent	a) Area of native woodland	Update due 2014	<i>No target</i>	133,000ha
				b) Area of new native woodland created since 2009	464 ha since 1 <sup>st</sup> April 2009	1,000 ha	8,000 ha
				c) Area of PAWS restored to native since 2009	Prioritisation on schedule Likely 354 ha restored	Prioritise AGWE sites 1,000 ha	10,000 ha including 6,000ha on AGWE
d) Area of other woodland converted to native since 2009	Identification process on track			Identify >5,000ha for conversion	5,000 ha		
9. Native woodland condition	Proportion of native woodland in favourable/recovering condition	Update due end and 2014	<i>No target</i>	43% (of 110,000ha)			

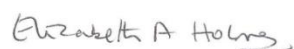
## Summary Table of Business Measures

Business measure	Baseline	Position at 31 March 2011	2009-2012 target
1. Staff satisfaction	2009 employee opinion survey	Update due 2012	2% improvement in summary results for question areas
2. Staff diversity	30.5% FCW staff female at 31/3/2009	32.3%	32% FCW staff female at 31/3/12
	2.7% of FCGB staff with self declared disability at 31/3/2009	3.2%	3.5% FCW staff with self declared disability at 31/3/12
3. Staff training needs identified, matched to needs of organisation and programmed / delivered	-	102% technical training, 101% developmental training delivered during 2010/11	80% of identified training needs delivered or programmed each year
4. Uptake of identified formal training needs for staff	-	95.4% since April 1 <sup>st</sup> 2009	95% of nominated staff to attend mandatory / agreed learning and development events each year [sickness excepted]
5. Proportion of posts identified for Welsh language competence with appropriately skilled staff in post	-	Completed. Refreshed in 2011, with baseline updated to March 2011.	Develop a baseline setting out distribution of Welsh speakers in FCW, prioritising posts where better language 'match' required
	-	20% of FCW posts filled with staff with required Welsh skill level	Identify the proportion of posts with the appropriate competency and fill gaps from 2009 onwards.
6. Production of unqualified set of accounts	N/A	On schedule	By 31 <sup>st</sup> July (each year) of following financial year
7. Non-baseline funding achieved for corporate priorities	-	£15.7 million so far secured to end 2011/12	£12M within the three years 09/10, 10/11 and 11/12
8. Target number of press releases; percentage of beneficial tone of coverage in press	-	171 in 2009/10; 245 in 2010/11	Average of 200 press releases per year over three year period;
	-	77% beneficial since April 1 <sup>st</sup> 2009	60% press coverage is beneficial to FC Wales (as opposed to factual or adverse coverage)
9. Business sustainability targets	606 thousand kg CO <sub>2</sub> e from energy use in 2008/9	571 thousand kg CO <sub>2</sub> e against 2010/11 target of 570 thousand kg CO <sub>2</sub> e	3% year on year reduction over three year period
	1059 thousand kg CO <sub>2</sub> e from staff travel in 2008/9	810 thousand kg CO <sub>2</sub> e against 2010/11 target of 956 thousand kg CO <sub>2</sub> e	5% year on year reduction over three year period
	Unknown kg waste	41.4 tonnes of waste recorded in 2010/11	A reduction in waste over 08/09 baseline
	54% of waste recorded in 2008/09 was recycled	56% of waste recorded in 2010/11 was recycled	An increase in % waste recycled over 08/09 baseline

## Internal Audit Certificate of Assurance

Performance against the Performance and Business Measures shown in these accounts has been subject to independent audit by the Forestry Commission's Internal Audit unit. The achieved targets have been validated against appropriate source data.

From our testing I am satisfied that the reported achievement against these targets is a true and fair view of Forestry Commission Wales performance in these areas in 2010/11.



Liz Holmes  
Head of Internal Audit  
Forestry Commission  
14 June 2011

## Appendix 1

### Management of Woodland Grants, Felling Licences and Illegal Felling

**Table 1 – Grant and Felling Licence Applications and Applicants Charter Performance**

	Measure/Target	2010/11	2009/10
<b>Applications to Better Woodlands for Wales Grant Scheme (BWW)</b>	Number received	791	446
<b>Applications to Glastir Woodland Creation Grant Scheme (GWC) *</b>	Number received	116	Not Applicable
<b>Claims to Better Woodlands for Wales Grant Scheme</b>	Number received	1,122	745
<b>Claims to Glastir Woodland Creation Grant Scheme</b>	Number received	4	Not Applicable
<b>Processing of claims to Better Woodlands for Wales Grant Scheme</b>	Paid in under 28 days	1,059 (94%)	653 (88%)
<b>Processing of claims to Glastir Woodland Creation Grant Scheme</b>	Paid in under 28 days	4 (100%)	Not Applicable
<b>Applications and Processing of claims to Woodland Grant Scheme (WGS)</b>	Number received	198**	485
	Paid in under 28 days	190 (96%)	462 (95%)
<b>Applications for a Felling Licence</b>	Number received	219	192
	Acknowledged within 3 days	206 (94%)	170 (89%)
	Processed in under 10 weeks.	68%***	75%

\* The BWW grant scheme closed to new applicants in December 2010 although grants will still be paid for the duration of the agreed contracts. The new Glastir Woodland Creation Grant Scheme is part of the Welsh Assembly Government's new approach to supporting integrated land management in Wales and FCW manages this element of the scheme on behalf of WAG.

\*\* Reduction in number received due to the legacy scheme closing to new applicants.

\*\*\* The reduction in performance was due to managing the felling of larch infected with *P. ramorum*.



**Table 2 - Analysis of action in relation to alleged illegal felling during 2010/11**

<b>Description</b>	<b>Cases</b>
Reported	67
Investigated by FC Wales but not pursued as investigation showed that these were within the permitted exemptions where a felling licence is not required	53
Warning Letter sent	8
Restock Notices issued	5
Prosecution	1

## Appendix 2

### Welsh Assembly Government Woodland Estate Statistics

**Table 3 – Key statistics for the Welsh Assembly Government Woodland Estate under Programme 1: Establishment & Silviculture**

		2010/11*	2009/10
<b>Total area managed</b>	Hectares	124,000	124,000
<b>Wooded land</b>	Hectares	114,000 <sup>a</sup>	105,000
<b>Disposals</b>	Hectares	17	5
	No. of Woods	1	0
<b>Harvesting</b>			
Volume of clearfell	Cubic metres	664,000	703,000
Area of clearfell	Hectares	1,111	1,431
Volume of thinning	Cubic metres	194,000	183,000
Area of thinning	Hectares	3,849	3,660
Standing sales	Cubic metres	479,000	482,000
Direct production	Cubic metres	379,000	404,000
<b>TOTAL</b>	Cubic metres	858,000	886,000
<b>Planting</b>			
Area of new planting	Hectares	0	0
Area of restocking after felling*	Hectares	1,378	1,448

\* Provisional figures for 2010/11. Finalised figures will be published in the 2011/12 Annual Report.

<sup>a</sup> The area of Forestry Commission woodland at March 2011 has been estimated by overlaying geographic boundaries for Forestry Commission land onto the National Forest Inventory map (published March 2011). This aims to provide estimated Forestry Commission woodland areas that are consistent with the definition of woodland used in the National Forest Inventory. These estimates differ from previously published estimates of Forestry Commission woodland that were obtained from the FC's administrative systems and excluded small areas of integral open space that are classified as part of the woodland under NFI. In addition, areas in the process of being converted to other land uses (e.g. restoration of open habitats) may be recorded as non-woodland in the sub-compartment database, but will remain as woodland in the NFI until an obvious and permanent land use change is detected.

## Management Commentary

### 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.

In line with HM Treasury requirements, the Forestry Commission adopted International Financial Reporting Standards (IFRSs) fully from 1 April 2008.

### Departmental Accounting Boundary

These accounts incorporate the core department, Forestry Commission Wales (FC Wales).

### Financial Review

FC Wales received £24.7 million of full resource funding from the Welsh Assembly Government to manage its forest estate which delivers a wide range of public benefits and to grant aid private sector forestry in Wales.

### Significant variances against Estimate

	Estimate £'000	Outturn £'000	Difference £'000
<b>Total resource</b>	24,703	19,556	5,147
<b>Net cash requirement</b>	24,703	24,370	333

The two most significant variances which give rise to the difference between estimate and net total resource outturn are:

- An increase in income of £3.6m of which Timber Sales accounted for £2.2 million, with the remainder coming from other internally generated activities; and
- An increase in work in progress of £0.6m due to the need to address outbreaks of *P ramorum* on the forest estate

The £0.3 million difference between estimate and the outturn net cash requirement represents an increase in our flexible funding reserves.

### Pensions

Information on pensions is contained in the Remuneration Report and Note 1.3 to the accounts.

### Supplier Payment Policy

FC Wales complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 30 working days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later.

In 2010/11 99.7% of invoices were paid within the due date [2009/10: 99.4%].

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



## **Auditors**

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

## **Disclosure of information to the auditors**

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

Trefor Owen  
Accounting Officer  
29 July 2011



## Remuneration Report

### Remuneration Policy

Fees for non-executive Commissioners are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprises the Chairman, Director General, Director Scotland, Director England, and three other non-executive Commissioners. The Chairman and non-executive members determine the Director General's pay. The Chairman, Director General and non-executive Commissioners take decisions in respect of Country Directors. The entire committee takes decisions on the remaining senior staff posts.

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

- Guidelines circulated by the Cabinet Office implementing Government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the Government on the shape of the system. This includes the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further information on the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com).
- Reporting officers make recommendations on the relative performance of each of their senior staff, whether a bonus should be paid and if so whether low or high. The Senior Pay Committee consider the recommendations, determine the allocation of senior staff to tranches, and decide the percentage increase to salary and any bonus to be awarded.
- Remaining Committee and Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining with the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Monitoring System (PMS) of the Forestry Commission. Their increase in salary and performance bonus, if awarded, is based on their manager's assessment of their performance.

### Salary

'Salary' includes basic salary, overtime and any allowances subject to UK taxation. This report is based on payments made by FC 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.

### Employment Contracts

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

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

Non-executives are generally appointed for a fixed term of three years with a maximum notice period of one month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation.

Details of the letters of appointment for the non-executive Commissioners and National Committee members who served during the year are:

	<b>Date of current contract / letter</b>	<b>Unexpired term (months) As at 31 March 2011</b>
Jon Owen Jones	18/01/2010	21
Judith Webb MBE	18/01/2010	33
Roger Cooper MBE	01/01/2010	21
John Lloyd Jones OBE	2/11/2009	19

### **Salary and pension entitlements \***

\* This section is subject to audit

#### **Remuneration**

The salary and pension entitlements of the civil servants who are members of the National Committee and Management Board were:

	<b>2010/11</b>			<b>2009/10</b>		
	<b>Salary</b>	<b>Bonus</b>	<b>Benefits in kind to nearest £100</b>	<b>Salary</b>	<b>Bonus</b>	<b>Benefits in kind to nearest £100</b>
	<b>£'000</b>	<b>£'000</b>	<b>£</b>	<b>£'000</b>	<b>£'000</b>	<b>£</b>
Trefor Owen	70-75	-	-	65-70	05-10	-
Peter Garson	55-60	-	-	55-60	-	-
Clive Thomas	55-60	-	2,900	55-60	-	1,200
Terry O'Keefe	60-65	-	-	55-60	-	-
Richard Siddons	50-55	-	-	45-50	-	-
Emma Bennett	25-30 <sup>2</sup>	-	-	40-45	-	-
Steve Burton	15-20 <sup>3</sup>	-	-	-	-	-
Martin Veale	50-55	-	-	0-5 <sup>1</sup>	-	-

Three Management Board members, Martin Veale, Emma Bennett and Steve Burton are on fixed term secondments from the Welsh Assembly Government. Their costs are invoiced to FC Wales direct and have been provided for in the Accounts.

<sup>1</sup> For the period March 2010

<sup>2</sup> For the period to 30 November 2010.

<sup>3</sup> For the period from 1 December 2010

## Pension Benefits

	Accrued pension at pension age at 31 March 2011 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2011	CETV at 31 March 2010	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Trefor Owen	25-30 plus LS of 0-5	0-2.5 plus LS of 0-2.5	340	301	11	-
Peter Garson	15-20 plus LS of 45-50	0-2.5 plus LS of 2.5-5	211	180	15	-
Clive Thomas	10-15 plus LS of 35-40	0-2.5 plus LS of 2.5-5	170	146	11	-
Terry O'Keefe	20-25 plus LS of 60-65	0-2.5 plus LS of 2.5-5	411	357	26	-
Richard Siddons	15-20 plus LS of 50-55	0-2.5 plus LS of 5-7.5	281	238	22	-

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from 1 October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary

(in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

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

### **Remuneration of Non-Executives**

The non-executive Forestry Commissioners and members of the National Committee of Wales received the following remuneration for their services during the year ended 31 March 2011:

	<b>£'000</b>
Roger Cooper MBE	7
John Lloyd Jones OBE	6

The remuneration of Jon Owen Jones and Judith Webb MBE, non-executive Forestry Commissioners and members of the National Committee for Wales, are borne and disclosed in the Forestry Commission GB/England Annual Report and Accounts 2010/11.

Trefor Owen  
Accounting Officer  
29 July 2011



## Statement of Accounting Officer's responsibilities

Under the Government of Wales Act 1998, HM Treasury has directed FC Wales to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of FC Wales and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

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

HM Treasury has designated Director Wales as the Accounting Officer for FC Wales. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding FC Wales' assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and Managing Welsh Public Money.

FC Wales is fully net funded by the Welsh Assembly Government's Department for Rural Affairs and therefore a formal accounting officer relationship exists between Director, Department for Rural Affairs and the Director FC Wales.

As part of their responsibilities, the Director, Department for Rural Affairs and Director Wales may be invited to appear before either the Westminster Committee of Public Accounts or the National Assembly for Wales Public Accounts Committee. It will be for Ministers to decide who should represent them at other Committee hearings.



## Statement on internal control

### 1. Scope of responsibility

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

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

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

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 Accounting Officer, formally responsible to the Westminster Parliament for the financial affairs of the Forestry Commission.

The Director Wales is the executive Forestry Commissioner responsible to the Welsh Minister for Environment and Sustainable Development and to the Director General for the work of FC in Wales. The Director Wales is appointed Accounting Officer for FC 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 FC Wales' accounts and financial procedures, and for the proper, effective and efficient use of resources in pursuit of the agreed Corporate Plan objectives and targets.

### 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 FC 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 FC Wales for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### 3. Capacity to handle risk

As Accounting Officer, I take personal responsibility for improving FC Wales' capacity to handle risk. I have appointed a Head of Finance who is a qualified risk manager (MIRM), and we continue to work with Welsh public sector colleagues and the rest of the FC to share good practice.

During the year work was carried out, in conjunction with the rest of the FC, to revise FC Wales' Risk Policy and procedures. There is a risk management area on the Forestry Commission's intranet site, which acts as the focal point for written advice, guidance and good practice on risk management.

The Forestry Commission has in place a risk management policy and procedures document. It outlines the process of risk management that aims to:

- ensure that the Forestry Commission's objectives are not adversely affected by significant risks that have not been anticipated;
- ensure achievement of outputs and outcomes and provide reliable contingency arrangements to deal with the unexpected which might put service delivery at risk;



- promote a more innovative, less risk averse culture in which the taking of appropriate risks in pursuit of opportunities to benefit the Forestry Commission is encouraged;
- provide a sound basis for integrating risk management into our day to day decision making; and
- promote excellent corporate governance and management practices.

Risk is embedded in policymaking, planning and delivery across FC Wales. Each discrete area of the business is responsible for ensuring the proper management of known risks within their own area, documented in operational risk registers (which include details of the risks and actions to manage these risks), and escalating concerns to the Management Board as appropriate. A corporate risk register for FC Wales has been developed which is aligned to corporate plans, supported by the operational risk registers and risk logs for individual key projects. The corporate risk register is reviewed both by the Management Board and the Audit and Risk Committee.

#### 4. The risk and control framework

The system of internal control encompasses a number of elements that together facilitate an effective and efficient operation, including regular reporting to the Board of Commissioners, National Committee, Executive Board and Management Board.

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

The ARC operates in accordance with the principles contained in HM Treasury's *Audit Committee Handbook*.

The ARC advises the National Committee and the Accounting Officer on:

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

During the year the Committee met three times: in July and November 2010 and March 2011. In all cases they considered a range of reports from management, and from internal and external audit.

Key risks were reviewed during the year and, in response to the Auditor General for Wales' value for money study *Operations of the Forestry Commission Wales*, FC Wales has undertaken an exercise to better align its risk register to the new Corporate Plan. The FC's network of ARC Chairs are responsible for reviewing GB risks, on behalf of GB Board of Commissioners, and have oversight of the risk registers for shared services, although these risks are not yet consolidated into the FC Wales corporate risk register.

Business Continuity Plans (BCPs) have been developed to cover all of FC Wales' activities. During the year a reciprocal arrangement was agreed with FC England to test plans by desk review and the results were reported to the ARC in March 2011. Overall, the feedback was positive with acknowledgement given to the comprehensive nature of the plans. FC England's review concluded that the plans were fit for purpose, although it was recognised that the documents could be enhanced through minor adjustments.

BCPs covering the key business systems delivered by Forestry Commission shared services (human resources, information services and finance) are still under development. Work is being overseen by the Shared Service Heads of Division.



## 5. Management and control of information

Forestry Commission Wales' approach to information assurance is set by the Forestry Commission, as it manages shared systems and services. In comparison with other government departments, our information systems hold a relatively small number of records and the volume of sensitive information requiring a protective marking is relatively low.

The Director Finance for GB, as the Forestry Commission's principal Senior Information Risk Owner (SIRO), chairs the Information Security Management Forum (ISMF). It co-ordinates and controls the implementation of information security across the Forestry Commission. It met on 3 occasions during the year. The work of the ISMF is supported on a day to day basis by the Departmental Security Officer and the IT Security Officer.

FC Wales' Head of Secretariat and Communications has been appointed as the SIRO for Wales. He attends the ISMF and provides a direct link on information assurance matters between the ISMF and the Management Board. The ARC has also received updates on information assurance at each of its meetings.

All FC laptops are now fully encrypted to prevent data theft in the event that a machine is lost or stolen. In addition appropriate staff have been issued with encrypted data sticks for use when transferring sensitive data between offices or to external partners.

All appropriate staff have successfully completed the National School for Government (NSG) online training package Level 1, Protecting Information. A further round of refresher training will be completed in 2011 and thereafter on an 18 month cycle as agreed with the Cabinet Office.

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

There is still more work to be done but these and our other actions are reflected in an improved assessment against the Cabinet Office information assurance maturity model.

## 6. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, the executive managers within FC 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 various Boards and the Audit and Risk Committee. Plans to address weaknesses and ensure continuous improvement of the system are in place.

Areas requiring particular attention during 2011/12 are as follows:

- In July 2010 the Welsh Assembly Government announced the start of a process to review its natural environment work in Wales. It has been working with stakeholders to develop a new Natural Environment Framework that will set out how it will enable Wales' land and water to deliver long-term well-being reflecting its guiding principle of sustainable development. Welsh Ministers have agreed that the Welsh Assembly Government, the Environment Agency Wales, the Countryside Council for Wales and FC Wales should look together at more fundamental restructuring of delivery arrangements and functions in order to give best value in delivering an integrated, eco-system approach to the natural environment. Work continues on the development of a business case to assess the costs and benefits of the creation of a single environment body for Wales, with a decision expected to be made by the Welsh Assembly Government in Autumn 2011. FC Wales input into the Welsh Government's Natural Environment Framework and Single Environment Body Programmes has placed an additional pressure on staff resources. FC Wales is able to accommodate this pressure by allocating a dedicated staff resource to co-ordinate efficient and effective input into both programmes and putting in place back-filling arrangements.
- Work continues to manage the outbreak of the pathogen *Phytophthora ramorum* which has been found in larch trees in Wales. The scale of the infection (larch accounts for approximately ten per cent of the Assembly



Government woodland estate) has resulted in an assessment of FC Wales' programme priorities to enable an effective response and to manage the possible long term impacts. FC Wales is enabling collaborative working across the affected area and between private woodland owners, private sector agents, timber processors and the relevant public sector bodies.

- As recognised in the Auditor General for Wales' value for money report, timber prices can be volatile and fluctuate throughout the year in response to factors such as supply and demand and exchange rates. Any shortfall in earned income that cannot be compensated by other income would restrict our ability to deliver the *Woodlands for Wales* strategy. Throughout the year management monitor outturn against budget and take the necessary actions to adjust costs and/or secure alternative funding if there are significant shortfalls in earned income.
- An audit was undertaken by the Wales Audit Office in July 2009 and their report was published in August 2010 (*'Forestry Commission Wales and Public Funding of Ffynone and Cilgwyn Woodlands'*). Following consideration of the report and other evidence the National Assembly for Wales' Public Accounts Committee (PAC) published its own report in February 2011 (*'Forestry Commission Wales: Public Funding of Ffynone and Cilgwyn Woodlands'*). FC Wales has accepted all of the recommendations contained in the PAC report and has developed an action plan to discharge these recommendations.
- FC Wales is reliant on Forestry Commission shared services for many of its human resources, information services and finance requirements. The governance and funding of these services, and their links to country based back office functions, is under review to ensure that they can meet the needs of their customers through an annual review process.
- The Forestry Commission's ICT structure is ageing, complex and difficult to maintain. This situation represents a material risk to the business operations of FC Wales and the rest of the Forestry Commission. In response, the Forestry Commission has developed a strategy for ICT development, implementation of which is underway. Internal Audit will continue to monitor management's progress with the implementation and the Audit and Risk Committee will receive regular updates on progress.

The Head of Internal Audit has prepared an annual report and assurance statement to me as Director Wales and Accounting Officer. The reports include an overall assessment of the adequacy and effectiveness of risk management, control and governance within FC Wales. The Director General has received a similar report and assurance statement including any comments specific to the Forestry Commission's Great Britain core responsibilities.

The overall opinion is that internal control within FC Wales continues to provide substantial assurance that material risks to the achievement of objectives are adequately managed. However, the Head of Internal Audit has highlighted that insufficient progress on business continuity planning and disaster recovery planning in some central shared services within the Forestry Commission that are relied upon by FC Wales has led to a limited opinion in respect of these items. Action for dealing with this is covered under the paragraph above headed 'The risk and control framework'.

## 7. Significant internal control problems

There were no significant problems to report.

Trefor Owen  
Accounting Officer  
29 July 2011



## **The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales**

I certify that I have audited the financial statements of Forestry Commission Wales (FCW) for the year ended 31 March 2011 under the Government of Wales Act 1998. These comprise the Summary of Resource Outturn, the Operating Cost Statement, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Taxpayers Equity and the Net Operating Cost by Departmental Strategic Objective and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Government of Wales Act 1998 and HM Treasury's directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to FCW's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by FCW; and
- the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that 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 addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.



## Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of Forestry Commission Wales' affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended; and
- have been properly prepared in accordance with HM Treasury's directions issued under the Government of Wales Act 1998.

## Opinion on Regularity

In my opinion, 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.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury's directions made under the Government of Wales Act 1998; and
- the information which comprises the management commentary, included within the Annual Report is consistent with the financial statements.

## Matters on which I report by exception

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

- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed;

or

- I have not received all of the information and explanations I require for my audit.

## Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ  
19 August 2011



## Summary of Resource Outturn

### Summary of resource outturn 2010/11

		Estimate		Outturn		2010/11 Net total Outturn compared with Estimate: saving/(excess)	2009/10 Outturn  Net Total
	Note	Gross Expenditure £'000	Total £'000	Gross Expenditure £'000	Net Total £'000	£'000	£'000
Request for resources	3	24,703	24,703	19,556	19,556	5,147	20,163
Total resources	4	24,703	24,703	19,556	19,556	5,147	20,163

### Net cash requirement 2010/11

			Estimate	Outturn	2010/11 Net total Outturn compared with Estimate: saving/(excess)	2009/10 Outturn
	Note		£'000	£'000	£'000	£'000
Net cash requirement	5		26,708	24,372	2,336	20,163

Explanations of variances between Estimate and Outturn are given in the Management Commentary.

The notes on pages 41 to 74 form part of these accounts.

## Operating Cost Statement

for the year ended 31 March 2011

			2010/11 £'000	2009/10 Restated £'000
	Note	Staff costs	Other costs	Income
Administration costs:				
Staff costs	6	13,274		13,085
Other administration costs	7		6,391	7,672
Operating income	9			(310)
Programme costs:				
Programme costs	8		30,575	29,299
EU income	9			(1,419)
Other income	9			(18,154)
Totals		<u>13,274</u>	<u>36,966</u>	<u>(19,883)</u>
<b>Net operating activities</b>	5		<u>30,357</u>	<u>32,493</u>
(Gain) on revaluation of biological assets	11			(10,801)
<b>Net operating costs</b>			<u>19,556</u>	<u>20,163</u>

All income and expenditure are derived from continuing operations.

There have been no company acquisitions during the year.

The notes on pages 41 to 74 form part of these accounts.



## Statement of Financial Position

	Note	31 March 2011 £'000	31 March 2010 Restated £'000	1 April 2009 Restated £'000
Non-current assets:				
Property, plant and equipment	10	314,512	267,141	222,267
Biological assets	11	63,387	54,734	44,388
Financial assets	12, 21	528	371	371
Trade and other receivables	15	383	436	364
<b>Total non-current assets</b>		<b>378,810</b>	<b>322,682</b>	<b>267,390</b>
Current assets:				
Non-current assets held for sale	13	30	599	59
Inventories	14	1,765	1,074	1,246
Trade and other receivables	15	6,080	3,919	5,646
Cash and cash equivalents	16	2,338	2,005	1,005
<b>Total current assets</b>		<b>10,213</b>	<b>7,597</b>	<b>7,956</b>
<b>Total assets</b>		<b>389,023</b>	<b>330,279</b>	<b>275,346</b>
Current liabilities:				
Trade and other payables	17	(6,602)	(6,274)	(3,599)
Provisions	18	(165)	(769)	(213)
<b>Total current liabilities</b>		<b>(6,767)</b>	<b>(7,043)</b>	<b>(3,812)</b>
<b>Non current assets plus net current assets</b>		<b>382,256</b>	<b>323,236</b>	<b>271,534</b>
Non-current liabilities:				
Trade and other payables	17	(618)	(821)	(274)
Provisions	18	-	(85)	(108)
<b>Total non-current liabilities</b>		<b>(618)</b>	<b>(906)</b>	<b>(382)</b>
<b>Assets less liabilities</b>		<b>381,638</b>	<b>322,330</b>	<b>271,152</b>
Taxpayers' equity:				
General fund	19a	137,650	132,292	131,129
Revaluation reserve	19b	241,680	187,621	137,362
Government grant reserve	19c	2,308	2,417	2,661
<b>Total taxpayers equity</b>		<b>381,638</b>	<b>322,330</b>	<b>271,152</b>

Trefor Owen  
Accounting Officer  
29 July 2011

The notes on pages 41 to 74 form part of these accounts.

## Cash Flow Statement

for the year ended 31 March 2011

	Note	2010/11 £'000	2009/10 £'000 Restated
<b>Cash flows from operating activities:</b>			
Net operating cost		(30,357)	(32,493)
Adjustments for non-cash transactions	20	1,140	1,905
Timing between accrual and cash VAT	19a	270	(38)
Non-cash inter-country transfers	19a	33	78
Decrease / (increase) in inventories	14	(691)	172
Decrease / (increase) in trade and other receivables	15	(2,108)	1,655
(Decrease) / increase in trade and other payables	17	125	3,223
Less: movements in trade and other payables relating to items not passing through the operating cost statement		(512)	(2,446)
Use of provisions	18	(771)	(61)
<b>Net cash outflow from operating activities</b>		<b>(32,871)</b>	<b>(28,005)</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	5	(845)	(1,552)
Proceeds on disposal of property, plant and equipment	5	1,185	166
Book value of felled timber	10,11	8,161	7,507
<b>Net cash inflow from investing activities</b>		<b>8,501</b>	<b>6,121</b>
<b>Cash flows from financing activities:</b>			
From the Welsh Assembly Government (supply)	19a	24,703	22,533
Government grant applied to the acquisition of property, plant and equipment		-	351
<b>Net financing</b>		<b>24,703</b>	<b>22,884</b>
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		333	1,000
Cash and cash equivalents at the beginning of the period		2,005	1,005
<b>Cash and cash equivalents at the end of the period</b>		<b>2,338</b>	<b>2,005</b>

The notes on pages 41 to 74 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

	Note	General Fund Restated £'000	Revaluation Reserve £'000	Government Grant Reserve £'000	Total Reserves Restated £'000
Balance at 31 March 2009		132,810	134,363	2,661	269,834
Changes in accounting policy	1.24, 30	(1,680)	2,998	-	1,318
<b>Restated balance at 1 April 2009</b>		<b>131,130</b>	<b>137,361</b>	<b>2,661</b>	<b>271,152</b>
Changes in taxpayers' equity for 2009/10					
Net loss on revaluation of non current assets held for sale		-	(52)	-	(52)
Net gain on revaluation of property, plant and equipment		-	46,306	-	46,306
Receipt of government grants		-	-	351	351
Release of reserves to the Operating Cost Statement		-	26	(91)	(65)
Revaluation of government grant assets		-	-	91	91
Non-cash charges – timing between accrual and cash VAT		(38)	-	-	(38)
Non-cash charges – inter-country transfers		78	-	-	78
Transfer of property, plant and equipment from/to other forestry bodies		5	-	-	5
Transfer from the Revaluation Reserve		1	594	(595)	-
Net operating cost for the year		(22,663)	-	-	(22,663)
<b>Total recognised income and expense for 2009/10</b>		<b>(22,617)</b>	<b>46,874</b>	<b>(244)</b>	<b>24,013</b>
Funding from the Welsh Assembly Government		22,533	-	-	22,533
Increase in flexible funding reserve		752	-	-	752
Reserves held under flexible funding arrangement		(2,005)	-	-	(2,005)
<b>Balance at 31 March 2010</b>		<b>129,793</b>	<b>184,235</b>	<b>2,417</b>	<b>316,445</b>

The notes on pages 41 to 74 form part of these accounts.

	Note	General Fund £'000	Revaluation Reserve £'000	Government Grant Reserve £'000	Total Reserves £'000
Balance at 31 March 2010		129,793	184,235	2,417	316,445
Changes in accounting policy	1.23,30	<u>2,499</u>	<u>3,386</u>	<u>-</u>	<u>5,885</u>
<b>Restated balance at 1 April 2010</b>		<b><u>132,292</u></b>	<b><u>187,621</u></b>	<b><u>2,417</u></b>	<b><u>322,330</u></b>
Changes in taxpayers' equity for 2010/11					
Net loss on revaluation of non current assets held for sale		-	-	-	-
Net gain on revaluation of property, plant and equipment	19b	-	54,242	-	54,242
Release of reserves to the Operating Cost Statement		-	-	(109)	(109)
Timing between accrual and cash VAT		270	-	-	270
Non-cash charges – inter-country transfers		33	-	-	33
Transfer of property, plant and equipment from/to other forestry bodies		58	-	-	58
Transfer from the Revaluation Reserve		183	(183)	-	-
Net operating cost for the year		<u>(19,556)</u>	<u>-</u>	<u>-</u>	<u>(19,556)</u>
<b>Total recognised income and expense for 2010/11</b>		<b><u>(19,012)</u></b>	<b><u>54,059</u></b>	<b><u>(109)</u></b>	<b><u>34,938</u></b>
Funding from the Welsh Assembly Government		24,703	-	-	24,703
Increase in flexible funding reserve		2,005	-	-	2,005
Reserves held under flexible funding arrangement		<u>(2,338)</u>	<u>-</u>	<u>-</u>	<u>(2,338)</u>
<b>Balance at 31 March 2011</b>		<b><u>137,650</u></b>	<b><u>241,680</u></b>	<b><u>2,308</u></b>	<b><u>381,638</u></b>

The notes on pages 41 to 74 form part of these accounts.



## Net Operating Cost by Departmental Strategic Objective

for the year ended 31 March 2011

	Strategic Objective 1 £'000	Strategic Objective 2 £'000	Strategic Objective 3 £'000	Strategic Objective 4 £'000	2010/11 Total £'000
Gross Expenditure	13,725	6,113	14,474	5,127	39,439
Income	(6,919)	(3,082)	(7,297)	(2,585)	(19,883)
<b>Net Expenditure</b>	<b>6,806</b>	<b>3,031</b>	<b>7,177</b>	<b>2,542</b>	<b>19,556</b>
					<b>2009/10 Restated</b>
Gross Expenditure	13,129	5,848	13,845	4,904	37,726
Income	(6,112)	(2,722)	(6,446)	(2,283)	(17,563)
<b>Net Expenditure</b>	<b>7,017</b>	<b>3,126</b>	<b>7,399</b>	<b>2,621</b>	<b>20,163</b>

Objective 1 – Social: FC Wales encourages local people and the wider public to make better use of the woodlands as an asset for their communities. This brings valuable health and well being benefits through the opportunity for mountain biking, walking, horse riding, Forest Schools and lifelong learning. Performance measure 6 in the full Annual report relates to this objective.

Objective 2 - Economic : As well as bringing timber from the Assembly Government woodland estate to the market, FC Wales supports several initiatives including Woodsorce Wales and Woodfuel Wales and provides robust and predictable volume forecasts for the Assembly Government woodland estate and through its support of Confor encourages other woodland owners to do the same. Performance measure 7 in the full Annual report relates to this objective.

Objective 3 - Environmental: A very important part of our work is protecting, managing and celebrating sites that are nationally or internationally important for nature conservation and archaeology. We ensure that all sites have up to date management plans. Performance measures 9 & 10 in the full Annual report relates to this objective.

Objective 4 - Climate Change: FC Wales's response to climate change has been to adapt Welsh woodlands so that they deliver a wider range of social and environmental benefits, offering exiting new opportunities to use woodlands to help mitigate the causes of climate change Performance measures 1 - 5 in the full Annual report relates to this objective.

The notes on pages 41 to 74 form part of these accounts.



## Notes to the Forestry Commission Wales Resource Accounts

### NOTE 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of FC Wales for the purpose of giving a true and fair view has been selected. The particular policies selected by FC Wales are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires FC Wales to prepare two additional primary statements. The Statement of Parliamentary Supply (or equivalent for FC Wales) and supporting notes show outturn against Estimate in terms of the net 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 Strategic Objectives and supporting notes analyse the FC Wales' income and expenditure by the objectives agreed with Welsh Ministers.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and available-for-sale financial assets, and derivative financial assets and derivative financial liabilities at fair value through profit or loss.

#### 1.2 Administrative and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running FC 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.

#### 1.3 Employee benefits

##### 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 dependant's benefits. FC Wales accounts for the PCSPS scheme as a defined contribution plan and recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employee's 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, FC Wales recognises the contributions payable for the year. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### Performance pay

Except for staff in the Senior Staff Grade, payments to recognise staff performance are not made. Where appropriate, a liability and expense is recognised for performance payments due under the Senior Staff Grade scheme. Details of the scheme are set out in the Remuneration Report



#### Short-term employee benefits

A liability and an expense is recognised for holiday days, holiday pay and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned but not yet taken.

#### 1.4 Contingent liabilities

FC Wales discloses contingent liabilities in accordance with International Accounting Standard (IAS) 37. It also discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of economic benefits is remote, but which have been reported to the National Assembly for Wales in accordance with the requirements of Managing Welsh Public Money.

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts. Amounts reported to the National Assembly for Wales are separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the National Assembly for Wales.

#### 1.5 Property, plant and equipment

Legal ownership of all land and buildings is vested in the Welsh Ministers 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.

Tangible fixed assets are revalued annually as at 31 March.

#### Forest Estate

Forested areas comprise land (including land improvements) and timber stocks. Elements of timber stock fall within the definition of Biological Assets as set out in IAS 41 (Agriculture) and details of the accounting policy are set out below. One requirement of IAS 41 is to separately account and value both land and the biological asset growing on it. As a result, the Forest Estate consists of all woodland areas and timber falling out with the definition of a biological asset. Elements of the valuation and therefore the accounting for these assets rely on estimation techniques and these are detailed under Note 2.

#### Forest Estate land

Forest Estate land is shown at fair value and excludes the value attributable to any trees growing on that land. External professional valuers undertake a full external professional valuation of Forest Estate land at five yearly intervals. Following a public procurement exercise in 2007, Bidwells, Chartered Surveyors were appointed as the Commission's valuers as from the full valuation as at 1 April 2008. In accordance with RICS' Appraisal and Valuation Standards (the Red Book), the Forest Estate land is valued under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values. The indices are provided by Bidwells who are contracted to undertake the work until 2012.

#### Biological assets

Timber growing on Forest Estate land is categorised as biological asset timber or other timber depending on the strategic objective the land is held to meet. Trees growing on land that is primarily held in support of the Welsh Assembly Government's objective of making a positive contribution to a thriving and sustainable Welsh economy are classed as biological assets under IAS 41 (Agriculture). Other trees are classed as other timber and are outwith the scope of IAS 41.

Biological assets include standing trees and are measured at fair value less estimated point-of-sale costs, except where fair value cannot be measured reliably. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above, the valuation is carried out by Bidwells, Chartered Surveyors in accordance with RICS' Red Book under the Existing Use or Fair Value models as appropriate for obtaining a



fair value. In the intervening years between professional valuations, custom indices are used to restate land values.

Revaluation gains and losses are recognised in the Operating Cost Statement in the year of revaluation.

#### Trees not apportioned to biological assets

Trees falling outwith the definition of biological assets are shown at fair value. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above, the valuation is carried out by Bidwells, Chartered Surveyors in accordance with RICS' Red Book under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values.

#### Non-forest land

Non-forest land is shown at fair value. Professionally qualified staff employed by FC Wales undertake a full revaluation of non-forest land at five yearly intervals coinciding with that for the Forest Estate (1 April). They follow the principles set out in RICS' Red Book and value on the basis of open market value, existing use value, depreciated replacement cost or discounted cash flow as appropriate under RICS' Red Book for determining fair value. The work of internal staff is reviewed by Bidwells periodically. A full valuation took place on 1 April 2008. In the intervening years between professional valuations, custom indices are used to restate land values.

#### Built Assets

Built assets are shown at fair value less accumulated depreciation. The threshold for capitalisation of buildings is £10,000.

Professionally qualified staff employed by FC Wales undertake a full revaluation of built assets at five yearly intervals coinciding with that for the Forest Estate and other land (1 April). They follow the principles set out in RICS' Red Book and value on the basis of open market value, existing use value, depreciated replacement cost or discounted cash flow as appropriate under RICS' Red Book for determining fair value. Suitably qualified external valuers review the work of internal professional valuers. A full valuation took place on 1 April 2008 and Bidwells, Chartered Surveyors, reviewed this.

In the intervening years between professional valuations, indices are calculated internally by reference to beacon sites that have been valued by external valuers. Such indexation was applied at 31 March 2011.

#### Expenditure on infrastructure

To maximise the environmental, social and economic benefits of the Forest Estate, other land, biological asset timber and other timber, FC Wales 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. FC Wales takes the view that the professional valuations of its land and timber 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.

#### Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to FC Wales and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the operating cost statement during the financial period in which they are incurred.

#### Non-current assets held for sale

Non-current assets are reviewed regularly to ensure that 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 assets, including surplus properties, take into account a number of factors including the social and environmental effects as well as marketability. Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale within twelve months of the reporting date is considered to be probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

#### Plant and machinery

Forestry vehicles, machinery and equipment are shown at fair value less accumulated depreciation. Assets are revalued every five years by professionally qualified staff employed by FC Wales. In the intervening years between professional valuations, values are restated using indices provided by the Office for National Statistics. The normal threshold for capitalisation of plant and machinery is £3,000.

#### Information technology

Information technology (IT) is shown at fair value less subsequent depreciation. The normal threshold for capitalisation of assets is £2,000.

#### Assets under construction

Assets under construction are carried at the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are transferred to the appropriate property, plant and equipment category when completed and ready for use.

#### Revaluation reserve

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve in taxpayers' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the operating cost statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the operating cost statement and depreciation based on the asset's original cost is transferred from revaluation reserve to general fund.

### 1.6 Depreciation

Land (Forest Estate and non-forest land), together with the value of trees, is not depreciated.

Assets under construction are not depreciated until the asset under construction is capable of operating in the manner intended by management.

Depreciation is provided on all other property, plant and equipment 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:

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
Plant and machinery held under a finance lease	lesser of unexpired term of lease and 16 years
Information technology	over 4 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.



An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the operating cost statement.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the general fund.

### **1.7 Land and buildings leased to customers**

Assets leased to external parties under an operating lease is capitalised under the appropriate accounting policy. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

### **1.8 Government grants receivable**

Grants from government are recognised at their fair value when there is reasonable assurance that the grant will be received and FC Wales will comply with all attached conditions.

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 operating cost statement. Where the grant contributes only part of the cost of the fixed asset, only that proportion is released from the government grant reserve. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

### **1.9 Subsidiaries, associates and joint ventures**

Investments held in subsidiaries, associates or joint ventures that are outside the departmental boundary and where FC Wales does not exercise in-year budgetary control are accounted for in accordance with paragraph 4.2.4 of the FReM. Where such an investment is in another public sector entity it is reported at historical cost less any impairment. Where an investment is in another entity it is accounted for following the requirements of IAS 39 (see note 1.21 Financial Asset policy note).

### **1.10 Inventories**

Consumable materials and supplies are stated at the lower of current cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

### **1.11 Revenue recognition**

Income comprises the fair value of the consideration received or receivable from forestry and related activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

FC Wales recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to it.

### **1.12 Leases**

Where substantially all the risk and rewards of ownership of a leased asset are borne by FC Wales (a finance lease), the right to use the asset is initially recorded as a tangible fixed asset. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury's rate of 3.5 per cent.

Assets held under finance lease are depreciated over the shorter of the useful life of the asset and the 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 revaluations are those set out in Note 1.5 above.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the operating cost statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Costs (net of any incentives received from the lessor) in respect of operating leases (any lease other than a finance lease) are charged on a straight-line basis over the lease term.

### **1.13 Grants payable**

Grants payable to individuals and bodies by FC Wales in accordance with its statutory powers and duties are accounted for as they are approved for payment.

### **1.14 European Union (EU) funding**

FC Wales acts under delegated authority from the Welsh Assembly Government to administer third party grants made under the national the European Agricultural Fund for Rural Development. Once grants become recognised, contributions from the EU are claimed. If grants are subsequently recovered because of failure to fulfil the condition of the relevant grant scheme, the amount of co-financing may be repayable to the EU.

### **1.15 Provisions**

FC Wales provides for present legal and constructive obligations which are of uncertain timing or amount at the reporting 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. The increase in the provision due to passage of time is recognised in the operating cost statement.

### **1.16 Value Added Tax (VAT)**

The Forestry Commission is registered for VAT. In order to comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the operating cost statement is net of VAT, where recoverable. The Forestry Commission accounts for VAT on a Great Britain basis with any VAT due to or from HM Revenue and Customs at the year end included in the Forestry Commission Great Britain/England accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the operating cost statement in the year in which it is incurred.

### **1.17 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the FC Wales Management Board.

### **1.18 Foreign currency transactions**

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the FC Wales operates ('the functional currency'). The functional currency and the presentational currency of the financial statements is pounds sterling.

Transactions and balances



Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the operating cost statement.

### 1.19 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

### 1.20 Financial assets

#### Classification

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

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

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

#### (b) Loans and receivables

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

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

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

#### Recognition and measurement

Financial assets are recognised when FC Wales becomes party to the contractual provisions of the financial instrument.

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

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

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



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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

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

### 1.21 Cash and cash equivalents

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



## 1.22 Financial liabilities

### Classification

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

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

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

#### (b) Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than twelve months after the reporting date. These are classified as non-current liabilities. FC Wales' other financial liabilities comprise trade and other payables in the Statement of Financial Position.

### Recognition and measurement

Financial liabilities are recognised when FC Wales becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

Financial liabilities carried at fair value through profit or loss are recognised at fair value. Transaction costs and gains or losses arising from changes in the fair value are presented in the Operating Cost Statement.

#### (b) Other financial liabilities

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

## 1.23 Prior Year Restatement

In accordance with the FReM, from 2010/11, FC Wales is no longer required to recognise a notional Cost of Capital charge in the Operating Cost Statement, and the Statement of Changes in Taxpayers' Equity where the sum is reversed.

FC Wales now recognise in the statement of Financial Position the value of leased land and the impact of this is provided in note 30.

Prior year figures have been restated to reflect these changes in accounting requirement. A reconciliation of restated balances is provided in note 30.

## 1.24 Effective in these Financial Statements

All International Financial Reporting Standards, IFRIC Interpretations and Amendments effective at 31 March 2011 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.



The following IFRSs, IFRIC Interpretations and Amendments, applicable to FC Wales have been issued but are not yet effective and have not been adopted early:

IFRS 9 Financial Instruments (effective 1 January 2013) – IFRS 9 replaces IAS 39 and introduces new requirements for the classification and measurement of financial assets. Further proposals are to be introduced and FC Wales will undertake an assessment of the impact of IFRS 9 once these are known.

IFRS 10 Consolidated Financial Statements (effective 1 January 2013) – IFRS 10 replaces IAS 27 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. Under the FReM, FC Wales does not currently control other entities. The impact of IFRS 10 will be assessed if the FReM is revised or organisational structures change.

IFRS 11 Joint Arrangements (effective 1 January 2013) – IFRS 11 replaces IAS 31 and establishes requirements for the presentation and preparation of financial reporting by parties to a joint arrangement. At present FC Wales does not participate in any joint arrangement. The impact of IFRS 11 will be assessed if this situation changes.

IFRS 12 Disclosure of Interest in Other Entities (effective 1 January 2013) – IFRS 12 applies to entities with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. At present, FC Wales has no relevant interests in other entities. The impact of IFRS 12 will be assessed if this situation changes.

IFRS 13 Fair Value (effective 1 January 2013) – IFRS 13 defines Fair Value, sets out a framework for its measurement and associated disclosures. Review of the standard shows that it will not result in material changes to asset values but that disclosures may be more extensive.

### **1.26 Change in Accounting Policy**

The Forestry Commission has changed the accounting policy in relation to Leased Land. Leased Land values and Leased Land Creditors are now recognised in the Statement of Financial Position.

As at 31 March 2010 the value of the Forest Estate was increased by £6,384,000 and Leased Land creditors to the value of £245,000 are now recognised. During the year ending March 2011 the movement on these balances has accounted for under IFRS.



## NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### Critical accounting judgements and key sources of estimation uncertainty

In the application of FC Wales' accounting policies, judgements, estimates and assumptions need to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying the accounting policies

The following are the critical judgements and estimates that have been made in the process of applying FC Wales' accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### Valuation of the Forest Estate and biological assets

Management believes that it would not be cost effective to carry out a five-yearly external professional valuation of all areas of woodland, including those with biological assets. Following advice from its professionally qualified statisticians, management considers that a reasonable valuation can be derived by carrying out on-site valuations of a random sample of properties representing between eight per cent and ten per cent of the Forest Estate and extrapolating these for the whole.

In reaching their sample valuations, it has been agreed by the external valuers and management that the most appropriate market factors to consider are location, species, age and quality (yield class) of the trees. It would not be cost effective to carry out each valuation based on the specific combination on the site. Management, in consultation with the external valuers, considers that valuations based on groups of factors provide robust valuations. The groups used are location (Forest District), species (conifer crop or broadleaf crop), age (in five-yearly age bands) and quality (high-, medium- and low-yield classes).

Management also considers that the most appropriate market-based evidence of value is derived from the market for the sale of woodlands and forests over 50 ha in area. The external valuers subsequently apportion values to land and timber, including biological assets. As required under IAS 41 the fair value of biological assets is reduced by estimated costs to the point of sale. These costs are estimated at five per cent and reflect the costs of selling the woodland or forest.

### Other land

Other land primarily includes specialist land holdings for which there are no or limited external markets. Management considers that FC Wales' internal professionally qualified staff are best placed to value this land. To ensure compliance with RICS' valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness periodically. Where appropriate, management ensures that external professional valuations are obtained where active markets operate.

### Dwellings and other buildings

Other buildings primarily include specialist buildings held for operational activities and for which there are no active external markets. Management considers that FC Wales' internal professionally qualified staff are best placed to value these buildings. To ensure compliance with RICS' valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness. Where appropriate, management ensures that external professional valuations of dwellings and other buildings are obtained where active markets operate.



#### Other built assets

Other built assets are specialist recreation facilities, primarily mountain bike routes held to provide social and recreational facilities to the public and for which there are no active external markets. Management considers that FC Wales' internal professionally qualified staff are best placed to value these assets. To ensure compliance with RICS' valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness. Where appropriate, management ensures that external professional valuations of other built assets are obtained where active markets operate.

#### Biological assets

In applying IAS 41 (Agriculture) management considered the detailed criteria for classifying forestry activities as agricultural. This determined that not all forestry activity carried out by FC Wales could be regarded as agriculture under the standard. It is considered that woodlands and forests that are primarily held and managed to meet the social and environmental objectives set out in A Strategy for Wales's Trees, Woods and Forests do not meet the criteria for agricultural activity.

A detailed analysis of the forest estate was undertaken by the FC Wales' Planning Manager and approved by FC Wales' Management Board, using a scoring system to determine those areas of the portfolio that fell within the four corporate objectives of social, economic, environmental and climate change based on a range of criteria. The resulting percentage attributed to economic was used to determine the implied value of trees classed as a biological asset. The analysis will be reviewed internally every five years with the next review due to take place in 2013. Additionally, should there be an acquisition or disposal of land within a forest district that would create a total change of land holding of ten per cent or otherwise be of significance with regard the analysis an interim review would take place.

**NOTE 3 ANALYSIS OF NET RESOURCE OUTTURN BY SECTION**

	2010/11				2010/11	2009/10	
	Estimate				Outturn		
	Net total	Admin	Other	Grants	Net total	Net total	Prior year
	£'000	£'000	current	£'000	resource	outturn	outturn
			£'000	£'000	expenditure	compared	Restated
					£'000	with estimate	£'000
						£'000	
Request for resource							
Forestry Commission							
Wales DEL	24,703	-	22,885	-	22,885	1,818	20,163
Forestry Commission							
Wales AME	-	-	(3,329)	-	(3,329)	3,329	0
<b>Resource Outturn</b>	<b>24,703</b>	<b>-</b>	<b>19,556</b>	<b>-</b>	<b>19,556</b>	<b>5,147</b>	<b>20,163</b>

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

		Supply	Outturn	2010/11	2009/10
	Note	Estimate		Outturn	Outturn
		£'000	£'000	Compared	Restated
				With	
				Estimate	
				£'000	£'000
Net Resource Outturn	3	24,703	19,556	5,147	20,163
<b>Net Operating Cost</b>		<b>24,703</b>	<b>19,556</b>	<b>5,147</b>	<b>20,163</b>

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

		2010/11 Estimate	2010/11 Outturn	2010/11 Net total Outturn Compared With Estimate: saving/ (excess) £'000
	Note	£'000	£'000	
Request for resources (WAG funding)		24,703		
Flexible funding b/f		2,005		
<b>Resource Outturn</b>		<u>26,708</u>	<b>30,357</b>	<b>(3,649)</b>
<b>Capital</b>				
Proceeds of property plant and equipment disposals			(1,185)	
Acquisition of property plant and equipment			845	
Book value of felled timber	10,11		(8,161)	
		<u>26,708</u>	<u>21,856</u>	<u>4,852</u>
<b>Accruals adjustments</b>				
Non-cash items	21		(1,140)	
Changes in working capital other than cash			2,983	
Changes in creditors falling due after more than one year			203	
Use of provision	18		771	
Timing between accrual and cash VAT			(270)	
Non-cash inter-country transfers			(33)	
<b>Net cash requirement</b>		<u>26,708</u>	<u>24,370</u>	<u>2,338</u>

**NOTE 6 STAFF COSTS AND NUMBERS**

			2010/11	2009/10
	<b>Total</b>	<b>Permanently</b>	<b>Others</b>	<b>Total</b>
	<b>£'000</b>	<b>employed</b>	<b>£'000</b>	<b>£'000</b>
		<b>staff</b>		
		<b>£'000</b>		
Wages and salaries	10,479	9,625	854	10,386
Social security costs	815	757	58	740
Other pension costs	1,781	1,686	95	1,820
Agency staff	70	-	70	88
Inward secondees	129	-	129	51
<b>Total net costs</b>	<b>13,274</b>	<b>12,068</b>	<b>1,206</b>	<b>13,085</b>

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

For 2010/11 employers' contributions of £1,741,441 were payable to the PCSPS (2009/10: £1,780,000) at one of four rates in the range 17.1 per cent to 25.5 per cent of pensionable pay, based on salary bands. The Scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010/11 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 £4,878 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £301, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or 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.

No individuals retired early on ill health grounds.

**Average number of persons employed**

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

	2010/11	2009/10
	<b>Number</b>	<b>Number</b>
Permanently employed staff	353	347
Others	39	46
<b>Total</b>	<b>392</b>	<b>393</b>

**NOTE 7 OTHER ADMINISTRATION COSTS**

	2010/11 £'000	2009/10 £'000
<b>Cash costs</b>		
Services provided by FC's central shared service	3,422	3,523
Auditor's remuneration and expenses – audit work	80	114
Other administration expenditure	2,539	2,852
<b>Total cash costs</b>	<u>6,041</u>	<u>6,489</u>
<b>Non-cash costs</b>		
Depreciation of property, plant and equipment	591	640
(Gain)/Loss on disposal of property, plant and equipment	(323)	(51)
Provisions:		
Provided in year	305	699
Provisions not required written back	(217)	(108)
Unwinding of discount	(6)	3
<b>Total non cash costs</b>	<u>350</u>	<u>1,183</u>
<b>Total</b>	<u>6,391</u>	<u>7,672</u>

Services provided by FC's central shared service are defined as those where a single provider is considered the best solution, in terms of practicality, cost or the needs of stakeholders although primary direction comes from the countries. Seven areas of work are identified as shared services:

- Finance and accounting services;
- Information services;
- Human resources, including learning and development;
- Communications;
- Operational support services;
- Internal audit; and
- Business sustainability.

For each of the major shared services, a service board composed of 'intelligent buyers' from the countries, Forest Research and the service provider has 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.

Business units covering mechanical engineering and nurseries charge for their services under service level agreements agreed with their own service board. Expenditure was accounted for in FC Wales at the time it was incurred. Civil engineering charged for their services until November 2010, at which time the services transferred to the direct management of FC Wales.

The Forest Research Agency provides research development and survey services to FC Wales as requested and charges FC Wales for services provided.

## NOTE 8 PROGRAMME COSTS

Corporate Programme costs in year can be analysed as follows:-

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>Restated £'000</b>
Managing diverse woodlands	16,714	15,339
Tree protection and health	1,311	1,212
Renewable energy	2,093	3,199
Public involvement and enterprise	677	626
Recreation and access	2,107	1,947
Woodland learning and sector skills	239	221
Urban woodlands and trees	79	73
Promotion of timber	69	64
Restoration of native and woodland habitats	3,680	3,285
Site based biodiversity, heritage and landscape	303	280
Other Assembly woodlands estate obligations	3,303	3,053
	<b><u>30,575</u></b>	<b><u>29,299</u></b>

Included within programme expenditure are the following costs:

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>Restated £'000</b>
<b>Cash costs</b>		
Hire of plant and machines	1,581	1,181
Operating leases	47	309
	<b><u>1,628</u></b>	<b><u>1,490</u></b>
<b>Non-cash costs</b>		
Depreciation	1,037	1,113
Value of fellings	8,161	7,507
Write-off of property, plant and equipment	-	183
(Gain) on disposal of vehicles, plant and machinery	-	(26)
	<b><u>9,198</u></b>	<b><u>8,777</u></b>



**NOTE 9 INCOME**

	2010/11 £'000	2009/10 Restated £'000
<b>Administrative income</b>	<u>310</u>	<u>489</u>
<b>Corporate Programme Income</b>		
Managing diverse woodlands	13,700	11,122
Tree protection and health	291	235
Renewable energy	2,385	3,136
Public involvement and enterprise	734	592
Recreation and access	963	777
Woodland learning and sector skills	20	16
Restoration of native and woodland habitats	208	168
Site based biodiversity, heritage and landscape	1	1
Other Assembly woodlands estate obligations	1,271	1,027
<b>Total Corporate Programme income</b>	<u>19,573</u>	<u>17,074</u>
<b>Total Income</b>	<u>19,883</u>	<u>17,563</u>



**NOTE 10 PROPERTY PLANT AND EQUIPMENT**

	Forest Estate £'000	Land £'000	Forest Holiday Land £'000	Built Assets £'000	Plant and Machinery £'000	IT £'000	AUC* £'000	Total £'000
<b>At 1 April 2009</b>	<b>196,247</b>	<b>15,152</b>	<b>325</b>	<b>9,344</b>	<b>3,601</b>	<b>257</b>	<b>1,213</b>	<b>226,139</b>
Reclassified as Assets held for sale	-	-	-	(631)	(108)	-	-	(739)
Additions	-	-	-	46	1,803	102	794	2,745
Disposals	(15)	(1)	-	(140)	(427)	(92)	-	(675)
Fellings	(5,523)	-	-	-	-	-	-	(5,523)
Transfers between classes	-	-	-	1,824	-	-	(1,824)	-
Transfers (to)/from FC bodies	-	-	-	-	(121)	-	-	(121)
Write Off	-	-	-	-	-	-	(183)	(183)
Revaluation	48,886	237	15	408	423	24	-	49,993
<b>At 31 March 2010</b>	<b>239,595</b>	<b>15,388</b>	<b>340</b>	<b>10,851</b>	<b>5,171</b>	<b>291</b>	<b>-</b>	<b>271,636</b>
<b>Depreciation:</b>								
<b>At 1 April 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,848</b>	<b>1,916</b>	<b>109</b>	<b>-</b>	<b>3,873</b>
Reclassified as Assets held for sale	-	-	-	(146)	-	-	-	(146)
Provided during year	-	-	-	811	428	39	-	1,278
Disposals	-	-	-	(107)	(406)	(82)	-	(595)
Transfers	-	-	-	-	(126)	-	-	(126)
Revaluation	-	-	-	63	136	12	-	211
<b>At 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,469</b>	<b>1,948</b>	<b>78</b>	<b>-</b>	<b>4,495</b>
<b>Net Book Value:</b>								
<b>At 31 March 2010</b>	<b>239,595</b>	<b>15,388</b>	<b>340</b>	<b>8,382</b>	<b>3,223</b>	<b>213</b>	<b>-</b>	<b>267,141</b>
<b>At 1 April 2009</b>	<b>196,247</b>	<b>15,152</b>	<b>325</b>	<b>7,496</b>	<b>1,685</b>	<b>148</b>	<b>1,213</b>	<b>222,266</b>
Asset financing:								
Owned	239,595	15,388	340	8,382	2,298	213	-	266,216
Finance Leased	-	-	-	-	925	-	-	925
<b>Net Book Value</b>								
<b>At 31 March 2010</b>	<b>239,595</b>	<b>15,388</b>	<b>340</b>	<b>8,382</b>	<b>3,223</b>	<b>213</b>	<b>-</b>	<b>267,141</b>
Valuation:								
<b>At 1 April 2010</b>	<b>239,595</b>	<b>15,388</b>	<b>340</b>	<b>10,851</b>	<b>5,171</b>	<b>291</b>	<b>-</b>	<b>271,636</b>
Additions	-	-	-	50	562	4	414	1,030
Disposals	-	(4)	-	(311)	(161)	-	-	(476)
Fellings	(6,013)	-	-	-	-	-	-	(6,013)
Transfers between classes	-	-	-	31	5	-	(36)	-
Transfers (to)/from FC bodies	-	-	-	-	531	-	-	531
Revaluation	53,492	335	(8)	(2)	1,156	-	-	54,973
<b>At 31 March 2011</b>	<b>287,074</b>	<b>15,719</b>	<b>332</b>	<b>10,619</b>	<b>7,264</b>	<b>295</b>	<b>378</b>	<b>321,681</b>
<b>Depreciation:</b>								
<b>At 1 April 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,469</b>	<b>1,948</b>	<b>78</b>	<b>-</b>	<b>4,495</b>
Provided during year	-	-	-	633	944	51	-	1,628
Disposals	-	-	-	(47)	(144)	-	-	(191)
Transfers	-	-	-	-	461	-	-	461
Revaluation	-	-	-	(1)	777	-	-	776
<b>At 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,054</b>	<b>3,986</b>	<b>129</b>	<b>-</b>	<b>7,169</b>
<b>Net Book Value:</b>								
<b>At 31 March 2011</b>	<b>287,074</b>	<b>15,719</b>	<b>332</b>	<b>7,565</b>	<b>3,278</b>	<b>166</b>	<b>378</b>	<b>314,512</b>
<b>At 1 April 2010</b>	<b>239,595</b>	<b>15,388</b>	<b>340</b>	<b>8,382</b>	<b>3,223</b>	<b>213</b>	<b>-</b>	<b>267,141</b>
Asset financing:								
Owned	287,074	15,719	332	7,565	2,163	166	378	313,397
Finance Leased	-	-	-	-	1,115	-	-	1,115
<b>Net Book Value</b>								
<b>At 31 March 2011</b>	<b>287,074</b>	<b>15,719</b>	<b>332</b>	<b>7,565</b>	<b>3,278</b>	<b>166</b>	<b>378</b>	<b>314,512</b>

\* Assets under construction

The Forest Estate is valued annually by Bidwells, Chartered Surveyors. The valuation is based on a sample number of properties and the results extrapolated by professionally qualified staff employed by the Forestry Commission. Values are determined using the RICS Existing Use basis. The next full revaluation is due as at 1 April 2013 with annual updates based on prospective indices provided by Bidwells, Chartered Surveyors.

Non-forest land and built assets were valued as at 1 April 2008 by professionally qualified land agents employed by the Forestry Commission. The next five-yearly valuation will be at 1 April 2013, to coincide with the next full revaluation of the Forest Estate. Annual updates in the intervening years are based on calculated indices. IFRS accounting policy adjustments have now been undertaken to account for biological assets and this is reflected in the table above.

Vehicles, Machinery and Equipment (VME) are valued at five-year intervals. A professional valuation took place on 31 March 2011. Professionally qualified staff employed by the Forestry Commission valued specialist forestry machinery. Other vehicles were professionally valued by CAP, a specialist provider of valuation data on vehicles. In the intervening years, revaluations are on the basis of indices provided by the Office of National Statistics or internal professional staff as appropriate.

An impairment review was carried out during 2010/11 but no assets were impaired.

The Forestry Commission Wales have no Intangible Assets.

#### **NOTE 11      BIOLOGICAL ASSETS**

Non-current biological assets comprise of timber.

Timber growing on Forest Estate land is categorised as biological asset timber or other timber depending on the strategic objective the land is held to meet. Other trees are classed as other timber and are out-with the scope of IAS 41.

The carrying value of total biological assets was £63,387,232 at 31 March 2011 (31 March 2010: £54,734,673).

Bidwells Chartered Surveyors revalued the forest estate including biological assets. The next full revaluation is due as at 1 April 2013. For 2009/10, valuations were updated using indexation information provided by Bidwells Chartered Surveyors. The apportionment of biological assets was carried out by Forestry Commission staff using the judgements and estimates outlined at Notes 1 and 2.

The increase in the biological asset value is due to improved market values during the period as follows:

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>Restated £'000</b>
At 1 April	54,734	44,388
Fellings	(2,147)	(1,984)
Gains and losses arising from changes in fair values	10,800	12,330
<b>At 31 March</b>	<b>63,387</b>	<b>54,734</b>

#### **NOTE 12      FINANCIAL ASSETS**

The fixed asset investment represents FC Wales' share in the limited liability partnership between the Forestry Commissioners and the Camping and Caravanning Club to operate holiday facilities within the Forestry Commission's land holdings. The investment is valued annually at 28 February on an open market basis by Barrs & Co., specialist leisure consultants and valuers.

## NOTE 13 NON CURRENT ASSETS HELD FOR SALE

	Land £'000	Built Assets £'000	Plant & Machinery £'000	Total £'000
Balance at 1 April 2009	29	30	-	59
Transfers from PPE	-	485	108	593
Disposals	(1)	-	-	(1)
Impairments	-	(45)	(7)	(52)
Balance at 1 April 2010	<u>28</u>	<u>470</u>	<u>101</u>	<u>599</u>
Transfers from PPE	-	-	-	-
Disposals	(28)	(440)	(101)	(569)
<b>At 31 March 2011</b>	<u>-</u>	<u>30</u>	<u>-</u>	<u>30</u>

The assets above related to surplus properties have been presented as held for sale following the approval for sale by the management of FC Wales. The completion dates for sale are expected to be within the twelve months to 31 March 2012.

## NOTE 14 INVENTORIES

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
Timber held for sale	*1,571	940	999
Consumable materials and supplies	194	134	247
<b>Total</b>	<u>1,765</u>	<u>1,074</u>	<u>1,246</u>

\* The increase in Timber held for sale relates to work-in-progress arising from the Phytophthora ramorum in south Wales

## NOTE 15 TRADE AND OTHER RECEIVABLES

### 15(a) Analysis by type

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
<b>Non Current</b>			
Forest Holidays partnership loan	316	357	285
Forest Holidays partnership lease	56	65	63
House purchase loans to employees	11	14	16
<b>Total non current receivables</b>	<u>383</u>	<u>436</u>	<u>364</u>
<b>Current</b>			
Trade receivables	5,685	3,460	4,076
Less provision for impairment of trade receivables	-	(23)	(8)
<b>Trade receivables - net</b>	<u>5,685</u>	<u>3,437</u>	<u>4,068</u>
House purchase loans to employees	3	3	3
Forest Holidays partnership loan	79	-	-
Forest Holidays partnership lease	5	5	4
Prepayments and accrued income	308	474	1,571
<b>Other receivables</b>	<u>395</u>	<u>482</u>	<u>1,578</u>
<b>Total current receivables</b>	<u>6,080</u>	<u>3,919</u>	<u>5,646</u>

The carrying amounts of trade and other receivables are a reasonable approximation of fair value.

All non-current receivables are due within 68 years from the 31 March 2011.

As of 31 March 2011, trade receivables of £3,989,000 (31 March 2010: £2,826,000) were not past due, impaired and provided for.

As of 31 March 2011, trade receivables of £1,637,000 (31 March 2010: £611,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
Less than one month	235	96
One to three months	1,304	374
More than three months	98	141
<b>Total</b>	<u><b>1,637</b></u>	<u><b>611</b></u>

As of 31 March 2011, £ nil trade receivables were impaired (31 March 2010: £23,000).

The ageing of the trade receivables provided for is as follows:

	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>	<b>1 April 2009 £'000</b>
Less than one month	-	-	-
One month	-	6	-
Two months	-	6	-
More than three months	-	11	8
<b>Total provided</b>	<u><b>-</b></u>	<u><b>23</b></u>	<u><b>8</b></u>

Movements in the provision for impairment of trade receivables are as follows:

	<b>£'000</b>
<b>At 1 April 2009</b>	8
Provision for receivables impaired	23
Receivables written off during the year as uncollectible	(8)
<b>At 31 March 2010</b>	<u><b>23</b></u>
Provision for receivables impaired	-
Receivables written off during the year as uncollectible	(23)
<b>At 31 March 2011</b>	<u><b>0</b></u>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. FC Wales does not hold any collateral as security.

All trade and other receivables are denominated in UK pounds.



## 15(b) Intra Government Balances

	31 March 2011 £'000	31 March 2010 £'000	Current 1 April 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	Non-Current 1 April 2009 £'000
Balances with other central government bodies	320	5	34	-	-	-
Balances with local authorities	102	1	63	-	-	-
Balances with public corporations and trading funds	1	-	-	-	-	-
<b>Intra government balances</b>	<b>423</b>	<b>6</b>	<b>97</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	5,657	3,913	5,549	383	436	364
<b>Total</b>	<b>6,080</b>	<b>3,919</b>	<b>5,646</b>	<b>383</b>	<b>436</b>	<b>364</b>

## NOTE 16 CASH AND CASH EQUIVALENTS

	£'000
<b>Balance at 1 April 2009</b>	1,005
Net change in cash and cash equivalent balances	1,000
<b>Balance at 31 March 2010</b>	2,005
Net change in cash and cash equivalent balances	333
<b>Balance at 31 March 2011</b>	<b>2,338</b>

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
The following balances were held at:			
Office of HM Paymaster General/Government Banking Services	2,338	2,005	1,005
Commercial banks and cash in hand	-	-	-
<b>Total</b>	<b>2,338</b>	<b>2,005</b>	<b>1,005</b>

## NOTE 17 TRADE AND OTHER PAYABLES

### 17 (a) Analysis by type

	31 March 2011 £'000	31 March 2010 £'000	1 April 2009 £'000
<b>Non current</b>			
Finance leases	618	821	274
<b>Total non current payables</b>	<b>618</b>	<b>821</b>	<b>274</b>
<b>Current</b>			
Trade payables	2,336	2,228	1,751
Other payables	191	42	51
Accruals and deferred income	1,396	1,639	1,012
Finance leases	341	360	33
Reserves held under flexible funding arrangement	2,338	2,005	752
<b>Total current payables</b>	<b>6,602</b>	<b>6,274</b>	<b>3,599</b>

The carrying amounts of trade and other liabilities are a reasonable approximation of their fair value.

All traded and other payables are denominated in UK pounds.

### 17 (b) Intra Government Balances

	31 March 2011 £'000	31 March 2010 £'000	Current 1 April 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	Non-Current 1 April 2009 £'000
Balances with other central government bodies	14	31	85	-	-	-
Balances with local authorities	30	240	22	-	-	-
Balances with public corporations and trading funds	-	2	1	-	-	-
<b>Intra government balances</b>	<b>44</b>	<b>273</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	6,558	6,001	3,491	618	821	274
<b>Total</b>	<b>6,602</b>	<b>6,274</b>	<b>3,599</b>	<b>618</b>	<b>821</b>	<b>274</b>

**NOTE 18 PROVISIONS FOR LIABILITIES AND CHARGES**

	Early departure costs £'000	Public legal claims £'000	Other legal claims £'000	Total £'000
<b>Balance at 1 April 2009</b>	<b>78</b>	<b>126</b>	<b>117</b>	<b>321</b>
Provided in the year	2	73	624	699
Provisions not required written back	-	(86)	(22)	(108)
Utilised in the year	(37)	-	(24)	(61)
Unwinding of discount	3	-	-	3
<b>Balance at 1 April 2010</b>	<b>46</b>	<b>113</b>	<b>695</b>	<b>854</b>
Provided in the year	66	-	238	304
Provisions not required written back	-	(49)	(168)	(217)
Utilised in the year	(32)	(4)	(735)	(771)
Unwinding of discount	(5)	-	-	(5)
<b>Balance at 31 March 2011</b>	<b>75</b>	<b>60</b>	<b>30</b>	<b>165</b>

Analysis of expected timing of discounted cash flows:

	Early departure costs £'000	Public legal claims £'000	Other legal claims £'000	Total £'000
Less than 1 year	75	60	30	165
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	-	-	-	-
Over 5 years	-	-	-	-
<b>Balance at 31 March 2011</b>	<b>75</b>	<b>60</b>	<b>30</b>	<b>165</b>

**Early departure costs**

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

**Legal claims**

Provision has been made for various legal claims against FC Wales. The provision reflects all known claims where legal advice indicates that it is probable that the claim will be successful and the amount of the claim can be reliably estimated. Legal claims that may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in Note 28. Public legal claims are those claims from the public for personal injury or damage caused to property, and other legal claims are for compensation for injury to employees.

## NOTE 19 RESERVES

### 19(a) 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.

	2010/11 £'000	2009/10 Restated £'000
<b>Balance at 1 April</b>	<b>132,292</b>	<b>131,129</b>
Movement in the year:		
Net operating cost for the year	(19,556)	(20,163)
Transfers of property, plant and equipment from/to other Forestry Bodies	58	5
Timing between accrual and cash VAT	270	(38)
Non-cash inter-country transfers	33	78
Transfer from Revaluation Reserve	183	1
Sources of funding:		
Funding drawn down from the Welsh Assembly Government	24,703	22,533
Flexible funding reserves b/f	2,005	752
Flexible funding reserves c/f	(2,338)	(2,005)
<b>Balance at 31 March</b>	<b>137,650</b>	<b>132,292</b>

### 19(b) Revaluation Reserve

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

	2010/11 £'000	2009/10 Restated £'000
<b>Balance at 1 April</b>	<b>187,621</b>	<b>137,363</b>
Arising on revaluation during the year:		
Assets held for sale	-	(52)
Forest Estate	53,490	48,885
Land	335	237
Forest Holiday land	(8)	15
Built assets	(2)	253
Vehicles, machinery and equipment	269	287
Information technology	-	13
Forest Holidays Investment	158	-
	54,242	49,638
Write-offs	-	26
Release from government grant reserve	-	595
Transferred to general fund in respect of realised element of revaluation reserve	(183)	(1)
<b>Balance at 31 March</b>	<b>241,680</b>	<b>187,621</b>

### 19(c) Government grant reserve

	UK £'000	EU £'000	2010/11 Total £'000	2009/10 Total £'000
<b>Balance at 1 April</b>	<b>949</b>	<b>1,468</b>	<b>2,417</b>	<b>2,661</b>
Additions during the year	-	-	-	351
Revaluations	-	-	-	91
Disposals	-	-	-	-
Release to Revaluation Reserve	-	-	-	(595)
Release to OCS	(32)	(77)	(109)	(91)
<b>Balance at 31 March</b>	<b>917</b>	<b>1,391</b>	<b>2,308</b>	<b>2,417</b>

### NOTE 20 NOTE TO CASH FLOW STATEMENT

Adjustments for non-cash transactions:

	2010/11 £'000	2009/10 £'000
Depreciation	1,627	1,278
Government grants released to Operating Cost Statement	(109)	(91)
Property, plant and equipment write-off	(110)	183
Adjustments to Vehicles Machinery and Equipment	(19)	-
Adjustments to Inventories	-	-
(Gain) / loss on disposals	(331)	(83)
Revaluation reserve write-off	-	26
Provisions provided in year	305	698
Provisions written back in year	(217)	(108)
Unwinding of discount	(6)	2
	<b>1,140</b>	<b>1,905</b>

### NOTE 21 FINANCIAL INSTRUMENTS

#### 21(a) Investments in non-public sector bodies (Available-for-sale financial assets)

	2010/11 £'000	2009/10 £'000
<b>At 1 April</b>	<b>371</b>	<b>371</b>
Additions	-	-
Revaluation	157	-
Net gains/losses transfer to equity	-	-
<b>At 31 March</b>	<b>528</b>	<b>371</b>

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

## 21(b) Financial Instruments by Category

	31 March 2011			31 March 2010			1 April 2009		
	Loans and Receivables £'000	Available-for-Sale £'000	Total £'000	Loans and Receivables £'000	Available-for-Sale £'000	Total £'000	Loans and Receivables £'000	Available-for-Sale £'000	Total £'000
<b>Assets as per statement of financial position</b>									
Available-for-sale financial assets	-	528	528	-	371	371	-	371	371
Trade & other receivables (excluding prepayments)	6,155	-	6,155	4,261	-	4,261	5,436	-	5,436
Cash & cash equivalents	2,338	-	2,338	2,005	-	2,005	830	-	830
<b>Total</b>	<b>8,493</b>	<b>528</b>	<b>9,021</b>	<b>6,266</b>	<b>371</b>	<b>6,637</b>	<b>6,266</b>	<b>371</b>	<b>6,637</b>

Liabilities as per the Statement of Financial Position	31 March 2011		31 March 2010		31 March 2009	
	Other financial liabilities £'000	Total £'000	Other financial liabilities £'000	Total £'000	Other financial liabilities £'000	Total £'000
Finance Lease Liabilities	959	959	934	934	59	59
Trade and other payables excluding statutory liabilities	3,679	3,679	3,867	3,867	2,561	2,561
<b>Total</b>	<b>4,638</b>	<b>4,638</b>	<b>4,801</b>	<b>4,801</b>	<b>2,620</b>	<b>2,620</b>

## 21(c) Exposure to risk

FC Wales' activities expose it to a variety of financial risks.

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

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

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

Due to the way in which government departments are financed, FC Wales is not exposed to the degree of financial risk faced by business entities.

Credit risk

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

exposure to credit risk is limited to the risk of non-payment by customers as no deposits are held with commercial banks.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by FC Wales. The utilisation of credit limits is regularly monitored (see Note 18).

#### Liquidity risk

Each financial year, the Welsh Assembly Government makes provision for the use of resources by FC Wales for revenue and capital purposes in a 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. This also specifies an overall cash authorisation to operate for the financial year. FC Wales is not therefore exposed to significant liquidity risks.

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

	<b>Less than 1 year £'000</b>	<b>Between 1 and 2 years £'000</b>	<b>Between 2 and 5 years £'000</b>	<b>Over 5 years £'000</b>
<b>At 31 March 2011</b>				
Finance lease liabilities	330	388	-	-
Trade and other payables excluding statutory liabilities	3,679	-	-	-
<b>Total</b>	<b>4,009</b>	<b>388</b>	<b>-</b>	<b>-</b>
	<b>Less than 1 year £'000</b>	<b>Between 1 and 2 years £'000</b>	<b>Between 2 and 5 years £'000</b>	<b>Over 5 years £'000</b>
<b>At 31 March 2010</b>				
Finance lease liabilities	348	291	295	-
Trade and other payables excluding statutory liabilities	3,867	-	-	-
<b>Total</b>	<b>4,215</b>	<b>291</b>	<b>295</b>	<b>-</b>
	<b>Less than 1 year £'000</b>	<b>Between 1 and 2 years £'000</b>	<b>Between 2 and 5 years £'000</b>	<b>Over 5 years £'000</b>
<b>At 1 April 2009</b>				
Finance lease liabilities	20	20	19	-
Trade and other payables excluding statutory liabilities	2,814	-	-	-
<b>Total</b>	<b>2,834</b>	<b>20</b>	<b>19</b>	<b>-</b>

#### Market risk

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

#### Cash flow and fair value interest rate risk

FC Wales has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates.

#### Foreign Currency Risk

FC Wales does not generally undertake transactions in foreign currency therefore its exposure to foreign currency risk is minimal. The only exposure relates to the receipt of EU grants denominated in Euros.

#### 21(d) Capital risk management

FC Wales' objectives when managing its capital structure are to maintain its ability to continue to provide benefits for stakeholders and to maintain an optimal capital structure to safeguard Taxpayers' Equity.

#### 21(e) Fair Value Estimation

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

### NOTE 22 CAPITAL COMMITMENTS

There were capital commitments at 31 March 2011 of £7,803 (31 March 2010: £nil).

### NOTE 23 COMMITMENTS UNDER LEASES

#### Operating leases

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

	2010/11 £'000	2009/10 £'000
<b>Land</b>		
Not later than one year	12	12
Later than one year and not later than five years	49	49
Later than five years	5,347	5,385
	<u>5,408</u>	<u>5,446</u>
<b>Buildings</b>		
Not later than one year	37	37
Later than one year and not later than five years	42	78
Later than five years	-	2
	<u>79</u>	<u>117</u>
<b>Other</b>		
Not later than one year	47	74
Later than one year and not later than five years	46	81
Later than five years	-	-
	<u>93</u>	<u>155</u>

Finance leases- Car

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

	2010/11 £'000	2009/10 £'000
Other:		
Not later than one year	357	387
Later than one year but not later than five years	419	621
Later than five years	-	-
Less interest element	(59)	(74)
<b>Present value of finance lease liabilities</b>	<b>717</b>	<b>934</b>

Finance leases- Land

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

	2010/11 £'000	2009/10 £'000
Other:		
Not later than one year	11	11
Later than one year but not later than five years	44	44
Later than five years	187	190
Less interest element	-	-
<b>Present value of finance lease liabilities</b>	<b>242</b>	<b>245</b>

**NOTE 24 OTHER FINANCIAL COMMITMENTS**

Following approval of a management plan for planting proposals, FC Wales undertakes to pay planting grants in two instalments. FC Wales was committed under signed plans to the payment of future instalments of planting and replanting grants amounting to £4.4 million as at 31 March 2011 (31 March 2010: £3.9 million). Grants for the management of existing woodlands are payable annually in arrears during the five-year currency of an approved plan, so long as specific objectives and age criteria are met. Commitments to future payments in respect of approved plans amounted to £4.6 million at 31 March 2011 (31 March 2010: £4.9 million).

	2010/11 £'000	2009/10 £'000
Not later than one year	4,859	4,810
Later than one year and not later than five years	4,159	3,990
Later than five years	4	15
	<b>9,022</b>	<b>8,815</b>

**NOTE 25 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37**

There were no contingent liabilities as at 31 March 2011 (31 March 2010: £nil).

## NOTE 26 OPERATING LEASE RECEIVABLES

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
Not Later than 1 year	553	520
Later than 1 year but not later than 5 years	1,974	1,826
Later than 5 years	1,959	1,922
<b>Total</b>	<b>4,486</b>	<b>4,268</b>

FC Wales has operating leases under agreement that terminate between 2011 and 2028.

## NOTE 27 NOTES TO THE STATEMENT OF NET OPERATING COSTS BY DEPARTMENTAL STRATEGIC OBJECTIVES

Expenditure in Net Operating Costs by Strategic Objectives schedule comprises the direct costs incurred by FC Wales' national office and indirect costs which have been allocated by individual cost centres or apportioned pro rata to the directly attributable costs. During 2008/09 we implemented a system to allocate project costs directly to objectives and this data has been used to support the costs attributable to each of the objectives for FC Wales.

Capital employed by Departmental Strategic Objectives as at 31 March 2010

FC Wales' capital is employed for both programme and administration purposes. Its distribution amongst objectives is not markedly different from the proportion of related gross expenditure. Capital employed has therefore been allocated to objectives in proportion to gross expenditure.

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
Strategic Objective 1: Social	132,810	112,171
Strategic Objective 2: Economic	59,154	49,961
Strategic Objective 3: Environmental	140,061	118,295
Strategic Objective 4: Climate Change	49,613	41,903
<b>Total</b>	<b>381,638</b>	<b>322,330</b>

## NOTE 28 LOSSES AND SPECIAL PAYMENTS

There were no losses over £250,000 in 2010/11 (2009/10: £nil).

There were no special payments made by the FC Wales during 2010/11 (2009/10: £nil).



**NOTE 29 RELATED PARTY TRANSACTIONS**

FC Wales has had various material transactions with other government departments and other central government bodies. The main entities within government with which the FC Wales has had dealings are HM Treasury, Welsh Assembly Government, the UK Co-ordinating Body for European Union grants, the Office of the Paymaster General, HM Revenue and Customs and the Department for the Environment, Food and Rural Affairs.

32(a) Sale of goods and services

During the year FC Wales entered into additional material transactions with a related party, Hamish Macleod (Non-Executive Commissioner). Hamish Macleod is Joint Managing Director of Howie Forest Products Ltd. BSW Timber plc acquired Howie Forest Products Ltd. in November 2009.

	2010/11 £'000	2009/10 £'000
<b>Sale of Goods</b>		
BSW Timber plc	1,801	755 <sup>1</sup>
<b>Total</b>	<u>1,801</u>	<u>755</u>

<sup>1</sup> Sales for the period November 2009 to April 2010. Full year sales were 1.5 million.

Goods are sold based on the price lists in force and terms that would be available to third parties.

	2010/11 £'000	2009/10 £'000
<b>Amounts owing to Forestry Commission Wales at 31 March 2011</b>		
BSW Timber plc	722	392
<b>Total</b>	<u>722</u>	<u>392</u>

The receivables from related parties arise from timber sale transactions and are due within one month after the timber is despatched. The receivables are unsecured in nature and bear no interest.

30(b). Purchase of goods and services

There were no purchases of goods and services from related parties.

30(c) Key management compensation

Key management personnel are deemed to be the members of the National Committee for Wales and Forestry Commission Wales Management Board. The compensation of such individuals whilst serving on the National Committee and Management Board can be found in the Remuneration Report that forms part of these Annual Accounts

### NOTE 30 RECONCILIATION OF RESTATED BALANCES

The 2010/11 FReM requires the following changes in accounting methodology:

- There is no longer a requirement to recognise a notional cost of capital charge in the Statement of Comprehensive Expenditure (SCE) and General Fund; and
- Leased land was excluded from the Statement of Financial Position in 2009/10. Management have reviewed this decision and land is now included on the Statement of Financial Position - the effect on biological asset revaluation is shown below.

Balances from 1 April 2009 have been restated in accordance with IAS 8. A reconciliation of the restated balances is provided below:

	<b>2009/10</b> <b>£'000</b>
<b>Net deficit as shown in 2009/10 annual accounts</b>	<b>32,847</b>
Amendment to remove cost of capital	(10,184)
Effect of change in accounting treatment of Leased Land	(2,500)
<b>Restated net surplus</b>	<u><u><b>20,163</b></u></u>

### NOTE 31 EVENTS AFTER 31 MARCH 2011

Following the elections to the National Assembly for Wales in May 2011, the name for the Welsh Assembly Government in popular use has been changed to Welsh Government., to avoid any potential confusion between legislature (National Assembly for Wales) and executive. Welsh Assembly Government remains the legal name as set out in the Government of Wales Act 2006.

The Ministerial portfolios have been reorganised following the elections. The Minister for Environment and Sustainable Development, John Griffiths AM is now responsible for and accountable to the National Assembly for Wales for the decisions, actions and policies of Forestry Commission Wales.



## FORESTRY COMMISSION WALES

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

The Forestry Commission of Wales shall prepare resource accounts for the year ended 31 March 2010 in respect of its activities in Wales in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by H M Treasury ("the FReM") which is in force for 2009-10. In subsequent financial years, the 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. The accounts shall be prepared so as to:

- (a) give a true and fair view of the state of affairs, and of the income and expenditure, Statement of Financial Position, Statement of Changes in Taxpayers' Equity and cash flows for the financial year then ended; and
- (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

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

4. This direction supersedes that given to the Forestry Commission dated 9 October 2005.

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



**Comisiwn Coedwigaeth Cymru**  
**Forestry Commission Wales**



Mae coedwedd y Comisiwn Coedwigaeth wedi eu  
buddsoddi a'u rhestru C05 04300-0007 y  
Cymru (Sewerlloedd Coedwigaeth)  
Forestry Commission woodlands have been  
certified in accordance with the rules of the Forest  
Stewardship Council C05-04300-0007