

**FORESTRY COMMISSION WALES NATIONAL COMMITTEE
MINUTES OF THE MEETING HELD ON 8th MAY 2009
AT CITY HALL, CARDIFF**

Present:

Jon Owen Jones, Chairman
Rory O'Sullivan
Clive Thomas
Peter Garson

Trefor Owen
Judith Webb
Roger Cooper

Apologies:

Geraint George

Also Attending:

Derek Stephen
Terry O'Keefe
Debbie Westlake, Minute Secretary

INTRODUCTION AND APOLOGIES

1. JOJ welcomed Rory O'Sullivan, Director for Rural Affairs and apologies were received from Geraint George.

MINUTES AND MATTERS ARISING

2. The minutes from 13 March 2009 were agreed as a true record with the exception of the following errors: Page 2 paragraph 6, final sentence should read '*PG reminded the Committee that FCW would only defer development where the option holder had a valid objection*'. Page 3 paragraph 17 - £5m should read £23m.

Action: Amend minutes of meeting 13 March 2009 (James Laing)

FCW DIRECTOR'S REPORT

3. The Director reported that 18 out of 22 Key Performance Indicators had been achieved. Due the introduction of the revised Corporate Plan there will be a more sophisticated reporting system by July. Committee members were invited to the All Staff meetings in May.

Harvesting and Marketing

4. TMO informed the Committee that FCW had a good last quarter, demand is still relatively strong and customer's needs are being met. The final tranche of long term contracts have now been let. FCW have agreed a 3-year contract with UPM Tilhill for roadside vegetation baling in north Wales. This is a new market for FCW and will help reduce costs and generate modest income.

Firewood

5. Firewood demand remains buoyant and FCW are working on a new policy to meet and maintain demand. JOJ asked that the Committee be updated at the next meeting in respect of progress on the draft.

Action: Provide draft firewood policy for next NC meeting (Peter Garson)

National Forest Estate Windfarm Programme

6. TMO told the Committee that Nant y Moch may become the largest development because it involves both Assembly Government Woodland Estate land and private landowners. JOJ highlighted possible problems in respect of infrastructure and grid connections. TMO stated that these are issues for the developer to work on with particular regard to the wider project. Nuon's development in south Wales is expected to be the first developer to submit their planning application.

Better Woodlands for Wales

7. Proposals are well advanced in respect of schemes to bring small woodlands (up to 10ha) into active management. These are priorities in the Woodland for Wales Strategy and Axis 2, and a formal announcement will be made at the Royal Welsh Show 2009. The scheme is also aimed at reducing red tape so that it will be easier for woodland owners to apply. FCW will manage the scheme and this will be the subject of further discussion at the next WSAP meeting. The Minister is undertaking a tour of BWW schemes in Powys on 7 May. It was noted that there was an error in WNC 11.09, page 3, paragraph 13 should read 'A total of £2.5 million of grants were paid in 2008/09' not 'A total of £254K of grants was paid in 2008/09'.

Action: Amend WNC 11.09 Page 3 (James Laing)

Plant!

8. TMO thanked the Committee for their support for this project. Three Ministers have attended project-related events to date. The project team is looking at other sites. JOJ suggested a site close to an urban area that is closer to people.

Wales Forest Business Partnership

9. TMO stated that the WFBP are now operating as a private company and are making good progress as an industry-led group.

New Office

10. The three Director Generals have had a tour of the new office and were impressed. There is still a lot of work to do but the new office is taking shape. Aberystwyth staff will be given the opportunity to visit it in July.

WEBS 2

11. Formal approval now received to the value of £11m, including private sector contributions. The scheme will be aimed at small to medium enterprises. The project covers the whole of Wales and Strategic Capital Investment Funds are available for public sector developments. There is already over £1.5m worth of interest carried over from the original WEBS project.
12. JOJ asked what communications are planned. TMO stated that the project has a built-in communications plan, which will be put to the Committee. RO stated that FCW should tie in with WEFO in respect of getting best value for exchange rates (Euro/sterling), which will lessen the impact on funding availability. TMO added that the supply chain is strong, demand is high and biofuels are a third of the cost of oil. CT noted that Axis 2 does not make provision for this therefore WEBS 2 supports an area of ineligibility. Mike Pitcher will be the WEBS 2 project manager.

FINANCE REPORT (WNC 10.09)

13. DS reminded the Committee that FCW came into FY08/09 with a healthy reserve arising mainly from the recompense of EU Funding. This coupled with sound financial management during the year allowed FCW to invest in additional infrastructure programmes that was reflected in the operational and social figures shown in the table of his paper. FCW also benefited from the emerging biofuels that was becoming a solid diverse income stream that demonstrates the benefits that come from investment in programmes such as WEBS. DS went on to explain that this, alongside the private sectors response to the downturn in the timber market, had protected FCW from the current unprecedented poor economic conditions.
14. Derek thanked his DRA Business Unit colleagues for working closely with him and winning a formalised element of end of year flexibility based on a percentage of timber income and amounting to a maximum of £2.5m in FY08/09. Derek stated that whilst he still intended pursuing the concept of capital and revenue reserves as originally recommended by the Wales Audit Office, this interim measure was very much welcomed by FCW and would go a long way to improving the efficient management of resources. Derek informed the Committee of the new measures and had also taken other steps to ensure that FCW had sufficient flexibility to balance its resource requirement against the programme demands for FY09/10. He also reminded the Board that FCW had benefited from an increase of £2.0m to its cost of capital provision which, if it had not been negotiated, would have had to be found from its net cash requirement.
15. He concluded that he was very pleased with the outturn for FY09/10 but recognised that there are stormy waters ahead. JOJ asked about the increase in spending on the operational and social heads and DS reassured him that this had been a planned use of the reserves that FCW had managed into FY08/09. JOJ then asked about the departmental costs and DS answered that investment in BWW software development has been brought forward and the pace of work increased in light of the reserve funding available.
16. TO stated that there will be 10 key Corporate Programmes in future and projects within them will be directly linked. ROS reminded the Committee that the financial outlook going forward is going to be challenging because budgets are expected to be cut in the

coming years. FCW will be looking at ways of saving money in areas such as running costs, generating more income, procurement and asset management.

AUDIT AND RISK COMMITTEE (WNC 14.09)

17. JW suggested that a key risk, which may impact on FCW, is in respect of sufficient resources to ensure that the 2008/09 annual accounts are delivered on time and then in line with the International Financial Reporting Standards (IFRS). DS indicated that he is confident that his colleagues in Finance Shared Services have bought in the appropriate expertise from Price Waterhouse Coopers (PWC) and that he had seen real progress in this area. He remained confident that the 08/09 Annual Report & Accounts would be achieved on schedule.
18. DS went on to inform the Committee that the Wales Audit Office had tabled a paper at the FCW ARC relating to the restatement of the 08/09 accounts, and that the issues raised are being actively addressed. Finance Shared Services recognise that they may have underestimated the task but FCW was seconding a member of its Finance Team and the PWC resource was being maintained to address the issues. DS informed the Committee that he had agreed with the WAO that the audit of our restated accounts in terms of IFRS would be back-ended to November, thus giving us the maximum time available within HM Treasury's timetable and thus reducing the reputational risk of failure.
19. RC asked what reputational risks have been exposed by the Ffynone Cydcoed project and TO told the Committee that FCW have provided answers to the dossier of questions presented by Paul Davies AM. He had met with Paul Davies and the Minister in May and stated that FCW's internal procedures are being revised as a consequence of the lessons learnt.
20. It was noted that there is an error in the final sentence of the paragraph headed Internal Audit Report Page 2 - '*WAO questioned the basis for the assurance given by Internal Audit and Internal Audit confirmed that they would review the assurance given, if further evidence not forthcoming*' this should read '*if further evidence was not forthcoming*'.

Action: Amend ARC paper WNC 14.09 Page 2 Internal Audit Report (James Laing)

ANNUAL REPORT AND ACCOUNTS DOCUMENT (WNC 15.09)

21. TOK discussed the format of the document and asked for the Committee's suggestions on how to make it a more meaningful document to all parts of the organisation. It was agreed that the introduction of another document was not necessary for this year. Next year it was proposed to have a Review of the Year together with a snapshot of the achievements of the Corporate Plan. The Annual Report and Accounts would remain a separate document. JW indicated that it is essential to be sure that it provides what the reader wants as a communications tool, and that the information is easy to interpret. It was agreed that a dummy document would be produced and presented to a later Committee meeting.

Action: Produce a dummy review document and present at a future Committee meeting (James Laing)

FOREST RESEARCH IN WALES (WNC 12.09)

22. HE updated the Committee in respect of his work undertaken to date as the new Head of Forest Research in Wales. HE role will accelerate over the coming months by undertaking collaborative development with stakeholders and undertake an analysis of research priorities in Wales. At present these look to be work in respect of climate change – water/carbon capture/role of trees in respect of carbon offsetting, plant health and biosecurity, risks to species and urban trees in the built environment. HE is meeting with Harvard Prosser, WAG in order to adopt a structured approach. JOJ asked how FRA funded. HE stated that it is a mix of mainly core Westminster funding and external funding.

PUBLIC FOREST ESTATE STUDY

23. CT told the Committee that the purpose of the study is to ascertain the optimal role of public forest estate in response to the new Woodlands for Wales Strategy. CT is drafting an options paper which will provide a briefing regarding policy delivery, public benefit analysis and commercial opportunities. ROS indicated that he would like to see the draft before it goes to the Minister.

Action: Draft of options paper to be prepared by CT/TO/JOJ for discussion with ROS (Clive Thomas)

WOODLAND STRATEGY ADVISORY PANEL

24. RC advised the Committee that the next WSAP meeting will involve a business meeting on 16 June and a field trip on 17th. It is intended to work on the FCW action plan and to develop a 5-year programme of outputs. CT to produce a matrix of outcomes/proposals re actions/who to lead/what organisations to be involved/targets.

FORWARD LOOK (WNC 13.09)

25. TOK stated that the Forward Look will be the same as that which has been distributed to members with the addition of a firewood update (PG) and the review of the year document (TOK).

Action: Update forward look to include firewood update and review document (James Laing)

ANY OTHER BUSINESS

26. PG briefed the Committee on Newborough Forest. RC asked if a visit to Newborough would be useful as part of the September Committee meeting. It was agreed that this would be discussed at the next meeting.

DATE OF NEXT MEETING

3rd July 2009 at Dolgellau office.