



FOREST SERVICE

ANNUAL REPORT

2017 - 2018



An Agency within the Department of
**Agriculture, Environment
and Rural Affairs**

www.daera-ni.gov.uk

Forest Service Agency Annual Report and Accounts

**for the year ended
31 March 2018**

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Under section 11(3) (c) of the Government Resources
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by the Department of Agriculture, Environment and Rural Affairs*

on

04 July 2018

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*Annual Report
for the year 1 April 2017 – 31 March 2018*

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Performance Report

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Chief Executive's perspective on performance



I am pleased to present the Annual Report and Accounts of the Forest Service for the year ended 31 March 2018. As incoming Chief Executive and Chief Forest Officer I want to pay tribute to the work of my predecessor, Mr. Malcolm Beatty, who retired at the end of March 2018. Malcolm made a significant contribution to the NI Forest Service over the past 40 years including two separate periods totalling 15 years as Chief Executive. This report, which covers the final year of Malcolm's tenure, shall address the following:

- Who we are;
- How we are organised, including our risk management and governance arrangements;
- What we aim to achieve;
- What we spend our money on;
- How we have performed; and
- Our plans for the future.

We achieved four of the five key Targets set by the Minister and eleven of the fifteen supporting targets.

Managing forests sustainably for timber and for recreational and social use remains at the core of what we do. I am pleased that we met UK Woodland Assurance Standards (UKWAS) requirements by maintaining the validity of our Forest Stewardship Council® (FSC®) (Licence code: FSC-C084232) and the Programme for the Endorsement of the Forest Certification schemes (PEFC) (Licence code: PEFC/16-40-1924) certificates. This meant that we met our income target by supplying over 0.4 million cubic metres of sustainable timber for industrial use, and we made good progress ensuring that replacement forests make greater provision for improving forest environments.

We continue to promote forest expansion in line with our strategy to increase forest cover in NI. We provided grant aid for 210 ha of new forest planting under the Rural Development Programme 2014-2020.

We have strengthened our partnerships with our industry and delivery partners. In line with our 2009 Recreation and Social Use Strategy we are working closely with local Councils and other NGOs such as the National Trust to deliver enhanced recreation and tourism facilities within our forests. This year our partnerships with Newry, Mourne and Down District and Armagh, Banbridge and Craigavon Borough Councils has resulted in improved visitor welcome facilities at Slieve Gullion Forest Park and £600,000 of improvements to the walking, cycling and horse riding trails at Gosford Forest Park respectively.

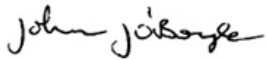
We continued our work to promote the use of some of our forests for renewable energy generation. We had hoped to establish a procurement strategy during the year for the delivery of wind energy projects on the Forest Service estate. We have decided, however, that it shall be prudent to reassess our wind energy outline business case in the context of emerging energy policy and EU exit. This approach recognises the inter-relationship between our business case and a review that our partners at the SIB have commenced on developing an energy strategy.

We have worked hard to monitor and keep serious plant and tree diseases at bay. In support of this we carried out approximately 11,500 inspections and official controls at our ports, on farms, at horticultural and retail premises and in the wider environment including forests.

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We engaged with our stakeholders including professional operators, to reduce the risk that new plant health pests will cause significant damage to the productivity of agriculture or forestry. We did this by publishing the NI Plant Health Risk Register, delivering workshops and meetings, through targeted correspondence, issuing pest alert notifications and continued collaboration with plant health officials throughout these islands.



JOHN JOE O'BOYLE
Chief Executive
13 June 2018

Performance Report

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Purpose and Activities

History and Statutory Background

The Forest Service (FS) is an Executive Agency of the Department of Agriculture, Environment and Rural Affairs (DAERA). It is subject to the overall direction of the Minister. It promotes afforestation and sustainable forestry, and is responsible for plant health matters.

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

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

While a Minister was not appointed to the Department in 2017/18, the Agency business plan and budget was endorsed by the Departmental Board as consistent with existing policy. The Agency's performance during the year was monitored by the Forest Service Management Board and no major policy decisions were required in respect of Agency business.

Functions

The purpose of Forest Service (FS) is set out at section 1 of the Agency Framework Document.

Forest Service fulfils DAERA's legal obligations in the areas of forestry, plant and bee health, plant reproductive materials and horticulture marketing standards. The Plant Health Directorate will seek to adhere to International Standards for Phytosanitary Measures and standards as they are applied under EU Plant Health Regulations.

The key tasks required to deliver established Ministerial policies are:

- 1) To promote forest expansion by private landowners and public bodies primarily through grant aid under the Rural Development Programmes;
- 2) To promote the arrangements for partnership working on forestry lands by formalising agreements to supply timber, provide access and enhance biodiversity effectively, efficiently and equitably;
- 3) To provide a regulatory framework and administrative process that encourages compliance with forestry, plant and bee health legislation, implement scheme rules and seed certification schemes that are monitored and enforced through official control risk based inspection programmes;
- 4) To protect the productive capacity of agriculture and forestry lands by monitoring for the introduction and assessing the impact on plant health of serious pests and disease; by working with others to minimise the impact of wild-fire on forests; by monitoring forestry productivity and losses from disease, fire, storms and land-use change; by strengthening our approach to forest planning so that we are better able to predict forest growth and mitigate

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the effects of changing climate and other external impacts on forestry, and, with our partners in the academic community, to maintain the knowledge base about forestry and plant health; and

- 5) To manage the Department's forests in consultation with stakeholders so as to:
- Supply timber and to regenerate and protect areas affected by harvesting, disease and fire, by monitoring forest productivity, by planning harvests, by negotiating sale of forest products, and by investment to improve access and to restock forests;
 - Promote public access for recreation, by maintaining and improving facilities and visitor services, through partnership arrangements with other public authorities, commercial providers, or groups of recreational users;
 - Verify sustainable management performance through a process of independent audit against the UK Woodland Assurance Standard; and
 - Develop plans to release land from forestry for renewable energy generation and environmental improvement where this is consistent with our sustainable development obligations.

Vision and Aims for 2017-18

Forest Service (FS) shared the vision and strategic outcomes of the Department of Agriculture, Environment and Rural Affairs [DAERA] during 2017/18 as follows:

Vision

“a thriving and sustainable economy, environment and rural community.”

Strategic Outcomes

- *Sustainable agri-food, fisheries, forestry and industrial sectors [Strategic Outcome 1]*
- *A clean, healthy environment, benefitting people, nature and the economy [Strategic Outcome 2]*
- *A thriving rural economy, contributing to prosperity and wellbeing [Strategic Outcome 3]*

Delivered by:

- *A well led, high performing organisation focussed on outcomes [Strategic Outcome 4]*
- The policy set out in the 2006 Forestry Strategy is to steadily expand tree cover and to manage woods and forests sustainably. The aim is to increase the area of forest to 12% of land area by the middle of the century, to manage forests to provide a wide range of public and private benefits consistent with national forestry standards, and to safeguard plant health.
- In delivering Ministerial priorities, Forest Service aims to operate within a net funding position by efficiently managing costs and maximising income.

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Business Priorities for 2017-18

Within the context of implementing our strategic aims, we agreed to restate a number of established business priorities for the 2017-18 business year. These included:

- Rapid control of plant pest and disease outbreaks;
- Reduced threat from new and emerging plant pests and diseases;
- Improved agricultural and forestry economy;
- Healthier people, plants and environments;
- Increased forest cover;
- Profitable and sustainable forestry and land management; and
- Improved policy making.

The 2017-18 Business Plan set out the actions, key and supporting targets, or milestones to address these priorities.

Key risks to the delivery of objectives

A Risk Register has been prepared on the basis of an assessment of the key risks impacting on the achievement of the Agency's Strategic Outcomes and Key Performance targets and comprises the following:

- An evaluation of the Key Risks in terms of 'Likelihood' of occurrence and 'Impact' in the event of occurrence;
- An overall rating of the risk as a product of 'impact' and 'likelihood'
- A list of the controls in place to manage the risks identified;
- An evaluation of the adequacy of the control to manage the risk and the Agency's ability to absorb any gap in control, or the additional action required to improve control and the criticality of the additional action; and
- Designation of the officer responsible for managing and reporting on the actions identified to improve control.

Key Risks Summary

In the context of the 2017/18 Business Plan the following key risks remained on the register at 31 March 2018:

1. Inadequate reserve of growing trees to sustain a Northern Ireland wood using industry, failure to provide public access to forests and failure to promote sustainable forestry.

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2. Failure to obtain income and/or increasing cost base.
3. Failure to develop forests for renewable energy and community benefits.
4. Failure to provide duty of care to Forest Service staff and visitors to our forests.
5. Reputational harm from failure to develop and deliver services that meet public expectation.
6. Failure in governance, accountability or information security.
7. Inadequate knowledge base to inform forestry development and inspection programmes.
8. Plant Disease Outbreak – Failure to prevent the introduction and establishment of organisms harmful to plant health and of significance to industry and the environment.

Performance Summary

A summary of progress against Key Strategic Targets and Objectives is shown below. Analysis and review of outturn is provided in the next section:

Outcome, Key or Supporting target or milestone.	Outturn 2017/18
<p>DAERA Strategic Outcome: A well led, high performing organisation focussed on outcomes.</p> <p>FS Outcome: Lower Net Cost of the Forestry Programme.</p>	
<p>Key Target Achieve an income of at least £9 million from all sources.</p>	<p>Target Achieved Actual Income £11.35million.</p>
<p>Supporting Target Improve timber security in our forests.</p>	<p>Target Not Achieved Work is underway to establish an integrated Timber Permitting and Sales Management System through engagement with Digital Services' Pre-Discovery process.</p>
<p>Supporting Target Maintain the days lost per member of staff through sickness to less than 7.5 days/FTE.</p>	<p>Target Not Achieved 9.4 days lost per member of staff due to sickness.</p>

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DAERA Strategic Outcomes:

Sustainable agri-food, fisheries, forestry and industrial sectors.

A clean, healthy environment, benefitting people, nature and the economy.

FS Outcomes:

- Stronger partnership working with industry and delivery partners.
- Best wind farm sites brought to the market.
- First registration of title to forestry land.
- Access to a sustainable supply of high value timber.
- Promote afforestation and sustainable forestry.
- Support the expansion and sustainable management of private forests.
- Forests contribute to enjoyment of long, healthy, active lives.

Key Target

Establish a procurement strategy for the delivery of wind energy projects on the Forest Service Estate.

Target Not Achieved

Energy generation on the public estate (including Forest Service lands) and energy procurement are part of a Strategic Energy Management Strategy led by the Strategic Investment Board (SIB). The Strategy will be presented to the NICS Board for approval in September 2018. Subject to approval it is anticipated that the Forest Service Outline Business Case can be submitted in Quarter 4 of the financial year for 2018-19.

Supporting Target

Complete first registration for 7,000 hectares of forestry lands.

Target Not achieved

Instructions for 6940 ha of unregistered land have been provided to DSO. 1st registration processes are continuing for this area.

Key Target

Have 200ha of new woodland supplying a range of ecosystem services and supply at least 400,000m³ of sustainable timber to industry.

Target Achieved

210 hectares of woodland created approved for payment. 406,003 m³ supplied to industry.

Supporting Target

Open the third tranche of the Forest Expansion Scheme in July 2017.

Target Achieved

Supporting Target

At least 5% of timber supply to come from forest thinning.

Target Achieved

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<p>Supporting Target Renew long-term agreements for at least 90% of timber supply.</p>	<p>Target Achieved</p>
<p>Supporting Target Explain to customers the arrangements for managing forests for public access.</p>	<p>Target Achieved</p>
<p>DAERA Strategic Outcome: A clean, healthy environment, benefitting people, nature and the economy.</p> <p>FS Outcomes:</p> <ul style="list-style-type: none"> • Reduced likelihood of a serious plant pest or disease becoming established. • Target Operating Model delivered. • Improved knowledge of forest condition and forestry opportunity. 	
<p>Key Target Have a safeguarding partnership with industry to reduce the risk that a new plant health pest will cause significant damage to the productivity of agriculture or forestry.</p>	<p>Target Achieved A programme of engagement with partners, building relationships with stakeholders including professional operators, representative groups and the wider public has been delivered reducing the risk that a new plant health pest will cause significant damage to the productivity of agriculture or forestry.</p>
<p>Supporting Target Prepare and test contingency plans to control priority plant pest risks.</p>	<p>Target Achieved</p>
<p>Supporting Target Engage stakeholders to improve bio-security through digital processes.</p>	<p>Target Achieved</p>
<p>Supporting Target Review approach to managing outbreaks of Phytophthora ramorum and Gremmeniella abietina.</p>	<p>Target Achieved</p>
<p>Supporting Target By 31/12/17, establish a plant health operational hub at an optimal location.</p>	<p>Target Not Achieved An approved business case has identified a preferred option.</p>

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DAERA Strategic Outcome:

Sustainable agri-food, fisheries, forestry and industrial sectors.

A well led, high performing organisation focussed on outcomes.

FS Outcomes:

- Shared understanding of operating agreements over forestry lands.
- Management of Forest Service forests certified by FSC® and PEFC.

<u>Key Target</u> Hold independent certification that the Forest Service management system meets the requirements of a well-managed forest.	<u>Target Achieved</u> FSC® and PEFC certification maintained.
<u>Supporting Target</u> Implement findings from the certification audits (Corrective Action Requests).	<u>Target Achieved</u>
<u>Supporting Target</u> Improve our knowledge of forests by improving the precision of growth estimates, reviewing the quality of recently replanted forests and developing a framework for restoration.	<u>Target Achieved</u>
<u>Supporting Target</u> Identify opportunities for forest expansion to help reduce flood risk.	<u>Target Achieved</u>
<u>Supporting Target</u> Complete “Agile Discovery” and business cases for systems developments to deliver highest priority information systems requirements e.g. Timber Sales management.	<u>Target Achieved</u>

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Resource Accounting and Budgeting

The Northern Ireland Assembly was dissolved from 26 January 2017 with an election taking place on 2 March 2017, on which date Ministers ceased to hold office. An Executive was not formed following the 2 March 2017 election. As a consequence, the Northern Ireland Budget Act 2017 was progressed through Westminster, receiving Royal Assent on 16 November 2017, followed by the Northern Ireland Budget (Anticipation and Adjustments) Act 2018 which received Royal Assent on 28th March 2018. The authorisations, appropriations and limits in these Acts provide the authority for the 2017-18 financial year and a vote on account for the early months of the 2018-19 financial year as if they were Acts of the Northern Ireland Assembly.

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

Net Operating Cost – 2017-18

The Statement of Comprehensive Net Expenditure shows the net cost of the Agency's operations on a full resource basis. The net operating surplus for 2017-18 was £3.168m (2016-17: an operating deficit of £0.442m).

The movement between 2016-17 and 2017-18 of £3.610m is mainly due to the revaluation of timber credited to the Statement of Comprehensive Net Expenditure, coupled with an increase in operating income of £0.753m that was offset by increased operating expenditure of £1.018m.

The reported reduction in forestry land value in 2017-18 of £2.864m does not reflect trends in the value of land without trees but does show the average effect of afforestation on land. This is because the value reported for land is the arithmetic difference between the market value of plantations (as calculated by Land and Property Services [LPS]) and the calculated fair value of growing trees based upon the average values obtained for timber over the previous 5 years (informed by data from the Agri Food & Biosciences Institute [AFBI]). The value of timber sales at maturity rose to £9,712 ha, a 3.5% increase on 2016-17 and accounted for the higher timber value at 31 March 2018.

A detailed explanation for the movement in the timber valuation is provided at Note 10 to the annual accounts.

Maintain expenditure within resource limits and to approved budgets

We managed our finances within the final budget set by the Department. We were required by the Department to contain our Departmental Running Costs (DRC) to £8.975m. Through a combination of careful planning and close monitoring of DRC, expenditure was constrained to £8.592m.

Category	2017-18	
	Budget	Expenditure
	£'000	£'000
Salaries & Wages	8,057	7,807
General Admin Expenses	918	785
TOTAL	8,975	8,592

Non-Current Assets

Details of the movement of non-current assets are set out in notes 6 to 10 to the accounts.

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Payment to Suppliers

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the *Confederation of British Industry's Prompt Payers Code* and *British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions*. Unless otherwise stated in the contract, payment is due within 30 days of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. During the year, 96.1% of bills were paid within this Standard (2016-17: 96.3%).

From 1 December 2008, the Agency has operated a policy of seeking to pay for goods and services within 10 days. This is in accordance with the Supporting Businesses: Prompt Payment of Invoices initiative within the Northern Ireland Civil Service. During the year, 89.7% of bills were paid within the 10 day target (2016-17: 88.9%).

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

Political and Charitable Donations

The Agency made no political or charitable donations during the year.

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Performance Measures

Measurement criteria are set for the Agency's targets so we can monitor progress and validate success. These will generally be refinements of the following general metrics:

Operational

- Plantations established [hectares]
- Volume of timber produced [m³]
- Forest visitor surveys
- Area of woodland qualifying for UK Forestry Standard [hectares]
- Plant health awareness activity, numbers of risk based targeted inspections, sampling, surveys and enforcement actions.

Customer Service

- Performance against prescribed standards of service to the public

Value for money

- Net annual cost of the forestry and plant health programmes
- Maintain income and expenditure within agreed limits

Performance Review

We set ourselves 6 key tasks in 2017/18 to deliver the then Minister's policies and described outcomes and specific in year targets in our business plan for the year past that we aimed to deliver to evidence our progress. This progress and the context in which we operated are reviewed below:

Forest Expansion

Forest policy is to steadily expand tree cover and our aim is to increase forest cover to 12% of land area by 2050. The intention is to provide new woodland supplying a range of ecosystem services including: public access; carbon capture; timber production and biodiversity.

Against this backdrop we identified the continued promotion of forest expansion by private landowners and public bodies through grant aid under the Rural Development Programme as a key task for 2017/18. We set ourselves a target for the year of 200ha of new woodland and 210ha were approved for planting at year end.

Partnership Working

We identified stronger partnership working with industry and delivery partners as an outcome we are seeking to achieve by 2020/21. This has been a long term strategy since we captured our thinking in this regard in our 2009 Recreation and Social Use Strategy and gave legal affect to a public right of pedestrian access to our forests through the 2010 Forestry Act.

We were pleased that this partnership approach continued to result in the improvement of recreation and tourism facilities within our forests. Legal arrangements were executed during the year with Newry, Mourne and Down District Council to facilitate further development of recreation and tourism infrastructure at Slieve Gullion Forest Park with works commencing on improved visitor welcome facilities including new toilets.

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We also agreed new arrangements with Armagh Banbridge and Craigavon Borough Council to facilitate long term recreation and tourism development at Gosford Forest Park. This has delivered an initial spend of £600,000 to improve the walking, cycling and horse riding trails within the Forest Park.



Our sustainable forest management practices remained compliant with the UK Woodland Assurance Standard (UKWAS), confirmed through an independent audit accredited by Forest Stewardship Council® (FSC®)(Licence code: FSC-C084232) and the Programme for the Endorsement of Forest Certification schemes (PEFC)(Licence code: PEFC/16-40-1924) in March 2018.

Our operating partners corroborated that visitor numbers to our forests remained buoyant and we are confident that the visitor satisfaction rate of 84% that we achieved through a comprehensive survey in 2014 is being maintained.

Compliance with Plant and Bee Health, Crop Certification and Marketing Legislation

A review of the EU protected zone for *Gremmeniella abietina* was concluded over the reporting period resulting in a request to the EU Commission for revocation of protected zone status for this pathogen in Northern Ireland due to its prevalence in pine trees. In excess of 11,500 inspections and official controls were conducted at ports, farms, horticultural and retail premises and in the wider environment including forests in implementation of legislation to protect plant health, provision of crop certification and compliance with marketing standards. 76 Statutory Plant Health Notices were issued due to noncompliance.

Plant Health Policy, Legislation and Regulation

Plant Health policy and delivery staff engaged on a regular basis with DAERA, Department for Environment, Food & Rural Affairs [DEFRA] and other Devolved Administrations' colleagues on preparing for EU Exit. We continued to engage with UK Plant Health Service counterparts

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to prepare for the implementation of the new EU Plant Health Regulation [EU 2016/2031] which becomes applicable from 14 December 2019 and will replace the current EU Directive [EU 2000/29]. During the year we introduced the Environmental Impact Assessment (Forestry) (Amendment) Regulations (NI) 2017, Marketing of Fruit Plant and Propagating Material Regulations (NI) 2017 and the Seed Potatoes (Amendment) Regulations (NI) 2017.

Protect the productive capacity of Agriculture and Forestry

As part of a broader strategy to reduce the risk that a new plant health pest will cause significant damage to the productivity of agriculture or forestry, we engaged throughout the year with stakeholders including professional operators, representative groups and the wider public. We used a range of communication channels including publication of the NI Plant Health Risk Register, workshops, meetings, targeted correspondence, plant and bee health outbreak updates and pest alert notifications, in addition to a presence at Balmoral Show.

Professional registration with the Royal Society of Biology for Plant Health staff was ongoing during the year. Thirteen staff are now accredited on this register.

Management of the Departments' Forests

A key outcome of the management and stewardship of state forests planted in the latter decades of the last century is to ensure access to a sustainable supply of high value timber. The key target for 2017/18 was to supply at least 400,000m³ of timber to industry and this was achieved and we sold 406,003m³ of logs.

The following supporting targets were also achieved, all of which will have contributed directly or indirectly to achievement of our key target that we successfully retain independent certification that our management system meets the requirements of a well-managed forest as assessed against the UK Woodland Assurance Standard:

- Addressing certification Corrective Action Requests. A minor Correction Action Request was raised in 2017 relating to compliance with best practice. This was closed following the 2018 certification audit.
- Sourcing more than 5% of timber supply from forest thinning improving the long-term resilience of forests on wind firm soils.
- Explaining to customers the arrangements for managing forests for public access including increasing awareness of health and safety matters relating to forests.
- Applying the analysis of forest inventory data (annual krige) completed by AFBI to the 2018 Forest Service timber valuation report. We also prepared a GIS data set on peatland restoration opportunities in Forest Service managed plantation and applied this to forest design planning.

Wind Energy

As part of a wider public-sector Energy Management Programme led by the Strategic Investment Board (SIB), the Agency continued to develop plans to release land from forestry for renewable energy generation where this is consistent with our sustainable development obligations.

This Energy Programme is part of an Asset Management Plan which was approved by First and

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Deputy First Ministers in 2016. Energy generation on the public estate (including Forest Service lands) and energy procurement are part of a strategic Energy Management Strategy.

Policy and regulation play important parts in enabling opportunity realisation and empowering new investment. It is acknowledged that new long-term energy policy is key to enabling further development of renewable generation (including that on the forestry estate) as well as enabling associated investment decisions in grid connections and the development of new land-use planning policy. Energy policy and regulation will also play integral roles in the wider economic development of Northern Ireland.

The potential to develop merchant wind energy projects on the public forest estate is consistent with current energy policy and is very likely to be consistent with any future energy policy. How generation is sold is a critical part of the Forest Service wind energy business case – the “route to market”. The Energy Management Strategy SIB is preparing will assess in detail how the NI central government buys its energy, what type of energy it buys, who it buys this from and the associated risk profile. Given the inter-relationship and inter-dependency between the Forest Service business case and the SIB Energy Management Strategy it is considered premature for Forest Service to submit the Outline Business Case (OBC) until the SIB work has concluded and been approved.

The SIB Energy Management Strategy will be presented to the NI Civil Service Board for approval in September 2018. Subject to approval it is anticipated that an updated Forest Service OBC can be submitted in Q4 Financial Year 2018-19.

Income and Cost Control

A large part of our operational costs are staff salaries and wages and, like all public- sector bodies, we are required to constrain these costs; particularly so when an NICS Voluntary Exit Scheme was funded in 2015. We determined that the following should be explicit outcomes over the period from 2016-2021:

- Lower cost services
- Lower net cost of the Forestry programme
- Higher income from use of Forestry assets

As at 31 March 2018 we exceeded our stated target to achieve an income of at least £9m from all sources. This income was generated mostly from timber sales but also included income from forest recreation services, and rentals. It totalled £11.35m.

We operated well below the full cost of the target staff operating model that we developed in early 2016. Full staff costs of that model were £8.7m. Our salaries and wages budget outturn during the year was some £1m less than this at £7.8m. We successfully made the case that the Forestry programme is at risk if we do not rebuild professional capacity. Staff costs will therefore increase in 2018-19 as we recruit up to the headcount limits approved by the Department.

While we were unable to constrain days lost per member of staff through sickness to less than 7.5 days, our analysis suggests that this was due to a small number of longer term staff absences due to ill health rather than a pattern of short term medically uncertified absences. The number of days lost per staff member, calculated as total absence divided by the number of staff, was 9.4.

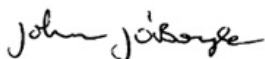
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Sustainability

Sustainability continued to be an underpinning principle of the draft Programme for Government. Forest Service contributes to the DAERA Strategic Outcome of 'Sustainable agri-food, fisheries, forestry and industrial sectors'. Key actions in 2017-18 included:

- Seeking to maintain high Plant Health status to protect our Agricultural, Horticultural and Forest industries as well as the wider environment, through our actions in tackling the fungal pathogen causing ash dieback disease (*Chalara*) and the fungus-like pathogen affecting Japanese larch (*P. ramorum*) and other common tree and shrub species.
- We launched the third phase of the Forest Expansion Scheme under the 2014-2020 Rural Development Programme and this resulted in letters of offer for 300 hectares of new woodlands of five hectares or greater.
- Forest Service approved grant payments for 210 hectares of new woodland, delivering a wide range of ecosystem services to people. Sustainable management of privately owned woodlands was supported by grant aiding 79 hectares of replanting to improve woodland resilience following harvesting and 10 hectares were replanted to replace losses from tree disease.
- There is growing research evidence that woodland planting in the right place can slow river flows and so reduce downstream flooding events. We published a report prepared for us by Forest Research, an Agency of the Forestry Commission, on the role of forests in flood mitigation. The report models and quantifies this effect in the catchments above Omagh under a range of tree planting scenarios and suggests that doubling the area of forest to 14% of the catchment will reduce flood peaks for an extreme storm (a one in 100 year return period flood) by 8%, and a one in 5 year return period flood by 13%.
- Forest Service obtained an income of £11.35 million from forest resources, mostly arising from the sale of timber certified as coming from Forest Service's sustainably managed forests.



JOHN JOE O'BOYLE

Chief Executive

13 June 2018

Performance Report

PERFORMANCE ANALYSIS

Forestry Performance Tables

The following tables provide statistical data on forestry performance during 2017/18:

Forest Service Statistical Summary 2017 / 2018

Table 1

	Units	2016/17	2017/18
Total area managed	Hectares	75,224	75,216
Forested area	Hectares	62,194	62,223
Acquisition Programme	Hectares	-	-
Disposal Programme	Hectares	-	-
Timber Production	Cubic metres		
- roadside		43,339	48,654
- standing		344,939	372,100
New Planting	Hectares	-	-
Replanting	Hectares	1,250	856
Fire Damage	Hectares	9	41.2
Visitors to charged recreation areas	Thousands	584	509
Visitors to caravan / camping long stay sites	Thousands	87	56
Average staff numbers:	Full time equivalent persons		
- industrial		100	100
- non-industrial		105	107

Table 2

RECORD OF HARVESTING FROM FOREST SERVICE MANAGED WOODLAND: April 2017 – March 2018

FOREST SERVICE	STANDING VOLUME (m ³)	ROADSIDE VOLUME (m ³)	TOTAL
EAST	96,844	31,936	128,780
WEST	275,256	16,718	291,974
TOTAL	372,100	48,654	420,754

Note: All figures represent volume dispatched from forests.

Performance Report

PERFORMANCE ANALYSIS

Breakdown of Sales from Forest Service Managed Woodland: Agreed for April 2017 - March 2018

Volumes to 7cm top diameter to nearest cubic metre, areas in hectares

Table 3

FOREST SERVICE	VOLUME by SPECIES			THINNINGS			CLEARFELL			MISC. FELLING	TOTAL VOLUME
	Spruce	Other Conifers	Hard-woods	Area	Volume	Vol. Per hectare	Area	Volume	Vol. Per hectare		
STANDING SALES											
EAST	117,689	4,578	-	53	4,669	88	282	117,599	417	-	122,268
WEST	233,505	5,932	-	27	2,013	76	519	237,424	458	-	239,437
TOTAL	351,194	10,510	-	80	6,682	84	801	355,023	444	-	361,705
ROADSIDE SALES											
EAST	19,329	11,404	1,785	326	30,031	92	14	2,487	179	-	32,518
WEST	11,027	753	-	126	10,274	81	4	1,506	377	-	11,780
TOTAL	30,356	12,157	1,785	452	40,305	89	18	3,993	223	-	44,298
ALL SALES											
GRAND TOTAL	381,550	22,667	1,785	532	46,987	88	818	359,016	439	-	406,003

Performance Report

PERFORMANCE ANALYSIS

Table 4

Average Prices for Coniferous Timber Sold at Roadside

Average Volumes Per Tree in m ³ over bark	(a) 1 April 2017 to 31 March 2018		
	(b) 1 April 2016 to 31 March 2017		
	Volume m ³	Total Price (Exc VAT) £	Average Price £/m ³
Less than 0.075	(a) 0	0	-
	(b) 0	0	-
0.075 - 0.124	(a) 2256	55,493	24.60
	(b) 2117	45,238	21.37
0.125 - 0.174	(a) 2758	56,622	20.53
	(b) 3392	92,236	27.19
0.175 - 0.224	(a) 4065	76,566	18.84
	(b) 2788	68,527	24.58
0.225 - 0.274	(a) 4652	98,641	21.20
	(b) 1114	31,153	27.96
0.275 - 0.424	(a) 12152	324,296	26.69
	(b) 6243	179,413	28.74
0.425 - 0.499	(a) 2528	104,152	41.20
	(b) 1773	56,743	32.00
0.500 - 0.599	(a) 4858	138,061	28.42
	(b) 12923	278,825	21.58
0.600 - 0.699	(a) 3738	125,064	33.46
	(b) 0	0	-
0.700 - 0.799	(a) 222	7,284	32.81
	(b) 510	16,681	32.71
0.800 - 0.899	(a) 1701	50,966	29.96
	(b) 0	0	-
0.900 - 0.999	(a) 374	11,635	31.11
	(b) 0	0	-
1.000 and over	(a) 5073	156,184	30.79
	(b) 8495	315,569	37.15
TOTAL	(a) 44377	1,204,964	27.15
	(b) 39355	1,084,385	27.55

Performance Report

PERFORMANCE ANALYSIS

Table 5

AVERAGE PRICES FOR CONIFEROUS TIMBER SOLD AT STANDING

Average Volumes Per Tree in m ³ over bark	(a) 1 April 2017 to 31 March 2018		
	(b) 1 April 2016 to 31 March 2017		
	Volume m ³	Total Price (Exc VAT) £	Average Price £/m ³
Less than 0.075	(a) 0	0	-
	(b) 0	0	-
0.075 - 0.124	(a) 6498	54739	8.42
	(b) 0	0	-
0.125 - 0.174	(a) 2148	19,207	8.94
	(b) 4625	54,015	11.68
0.175 - 0.224	(a) 4885	45,976	9.41
	(b) 5462	71,683	13.12
0.225 - 0.274	(a) 27721	356,445	12.86
	(b) 7683	109,779	14.29
0.275 - 0.424	(a) 143527	2,364,372	16.47
	(b) 91454	1,735,084	18.97
0.425 - 0.499	(a) 41683	863,297	20.71
	(b) 88975	1,939,446	21.80
0.500 - 0.599	(a) 64562	1,380,365	21.38
	(b) 93588	2,181,032	23.30
0.600 - 0.699	(a) 26829	801,879	29.89
	(b) 31039	821,750	26.47
0.700 - 0.799	(a) 13130	307,454	23.42
	(b) 16320	427,428	26.19
0.800 - 0.899	(a) 10496	253,029	24.11
	(b) 439	10,747	24.48
0.900 - 0.999	(a) 10713	248,959	23.24
	(b) 15161	400,596	26.42
1.000 and over	(a) 7025	174,312	24.81
	(b) 8957	239,802	26.77
TOTAL	(a) 359217	6,870,034	19.13
	(b) 363703	7,991,362	21.97

Accountability Report

C O R P O R A T E G O V E R N A N C E

Director's Report

Management Board / Structure

The Management Board comprises senior executive officers of the Agency and Non-Executive Board Members (NEBMs).

During 2017-18 the Board members were:

Malcolm Beatty	(Chief Executive)
Kevin Hegarty	(NEBM, Strategic Investment Board (SIB))
John Joe O'Boyle	(Forestry)
Jim Crummie	(Plant Health)
Marcus McAuley	(Corporate Services)
Helen Anderson	(NEBM, NI Environment Agency (NIEA)) was a Board Member until 6 Nov 2017.
Noel Lavery	(Permanent Secretary, DAERA) was an observer at the Board from 7 Nov 2017 until 13 February 2018.

The Chief Executive has overall responsibility for achieving the aims, objectives and targets set out in the Business Plan with each executive director having ownership and responsibility for achieving objectives and targets within their management control.

Conflict of Interests

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

Accounts Direction

The Forest Service's Accounts for the Financial Year ending 31 March 2018 have been prepared in accordance with the Accounts Direction (FD(DoF) 02/18 and DAO(DoF) 02/18) given by the Department of Finance in accordance with Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001.

Pension Costs

Further details in relation to the pension schemes are given in the Remuneration Report and in notes to the accounts.

Auditors' Remuneration

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

The audit of the financial statements for 2017-18 resulted in a notional audit fee of £13,250 (2016-17: £13,250) and is included in Operating Expenditure – Non-Cash items in the Statement of Comprehensive Net Expenditure. The auditors did not provide any non-audit services during the year.

Accountability Report

C O R P O R A T E G O V E R N A N C E

Security of Personal Data

Forest Service is committed to the safeguarding of personal data and has set in place appropriate measures to ensure its security including nomination of Information Asset Owners (IAOs). A key task for our IAOs has been to prepare for the implementation of the EU General Data Protection Regulation, effective from 25th May 2018. IAOs are trained and supported in managing our information assets, with specific reference to their responsibilities as set out in the Information Asset Owner handbook. We have compiled a register of our personal data assets identifying the purpose and legal bases for the processing of that personal data. We have prepared and published Privacy Notices that inform our stakeholders about their rights and our processing of their personal data and reviewed the security of those personal data assets under our control and to ensure that retention and disposal schedules are implemented in a timely fashion. Forest Service staff have been advised of their personal responsibilities for ensuring the confidentiality, integrity and availability of personal data by way of mandatory completion of GDPR Awareness training provided by the Department.

Human Resource Development

Forest Service staff are civil servants and are covered by all NICS Human Resource (HR) policies.

Staff are located at Forest Service headquarters in Enniskillen, in DAERA Direct Offices, and at Forest Offices at Castlewellan and Garvagh. Senior staff work peripatetically to maintain networks and service DAERA HQ in Belfast.

Operational training is provided by the College of Agriculture, Food, and Rural Enterprise (CAFRE) under a Service Level Agreement. Other skills training is available to all staff from the NI Civil Service (NICS) Centre of Applied Learning.

The Agency places a high priority on staff training and development in order to enhance staff skills for the achievement of our business objectives and to improve job satisfaction:

- We are committed to ensuring that our staff have the necessary competencies to achieve business objectives;
- We encourage staff to pursue their personal development and communicate all opportunities available to them;
- We encourage membership of professional bodies directly connected with the work of the Agency and support membership costs;
- We are committed to achieving business excellence through continuous improvement and to maintaining the Investors In People standard;
- We develop staff, consistent with NICS policies on equal opportunities, health and safety and other relevant legislation; and
- We commit available resources to fulfil the training and development aims.

The Management Board monitors Human Resource issues including absence statistics, and the Board is assisted by our HR Business partner. The Management Board encourages communication and engagement, and exchange of information within the Agency. This is brought about through team briefings, circulars and our Intranet. There are also well-established arrangements for formal consultation with representatives of the trade unions (both non-industrial and industrial) on all significant developments likely to impact on staff. We consult regularly with representatives of the industrial workforce at the Joint Industrial Council. We also meet regularly with the NI Public Service Alliance (NIPSA), which represents our non-industrial staff.

Accountability Report

C O R P O R A T E G O V E R N A N C E

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

Complaints Handling

Forest Service is committed to providing the highest possible standards of service to all its customers, and has adopted the Department's core standards of service that customers can expect to receive. Central to these is the facility for customers to lodge formal complaints if things go wrong. In line with new complaints procedures introduced for DAERA, we report on complaints received and our handling of them to the Department. This will be disclosed in their Resource Accounts.

Public access to Information

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

www.nidirect.gov.uk/forests

Other Forest Service business information is accessible at:

<https://www.daera-ni.gov.uk/topics/forestry>

Statement of Accounting Officer's Responsibilities

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

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

- observe the Accounts Direction issued by the Department of Finance (DoF), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- confirm that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and 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 entity's auditors are aware of that information;
- confirm that the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and

Accountability Report

C O R P O R A T E G O V E R N A N C E

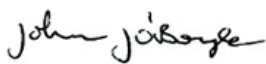
accounts and the judgments required for determining that it is fair, balanced and understandable;

- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

There are several areas, in particular, where the Assembly expects Accounting Officers to take personal responsibility:

- *regularity and propriety*, including seeking DoF approval for any expenditure outside the normal delegations or outside the subheads of Estimates, and carried through with appropriate disclosures in the Annual Report and Accounts;
- *selection and appraisal* of programmes and projects: using the Northern Ireland Guide to Expenditure Appraisal and Evaluation (NIGEAE) and relevant supporting guidance to evaluate alternatives, and good quality project and programme management techniques, such as Gateway Reviews, to track and where necessary adjust progress;
- *value for money*: ensuring that the organisation's procurement, projects and processes are systematically evaluated and assessed to provide confidence about suitability, effectiveness, prudence, quality, good value and avoidance of error and other waste, judged for the public sector as a whole, not just for the Accounting Officer's organisation;
- management of *opportunity and risk* to achieve the right balance commensurate with the institution's business and risk appetite;
- *learning from experience*, both using internal feedback, and from right across the Public Sector; and
- accounting accurately for the organisation's *financial position and transactions*: to ensure that the government published financial information is transparent and up to date, and that the organisation's efficiency in the use of resources is tracked and recorded.



JOHN JOE O'BOYLE
Chief Executive
13 June 2018

Accountability Report

C O R P O R A T E G O V E R N A N C E

Governance Statement

Governance Framework

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

As noted above while a Minister was not appointed to the Department in 2017/18, the Agency business plan and budget was endorsed by the Departmental Board who monitored our performance during the year.

Forest Service Management Board (FSMB)

I am supported by a Management Board. During 2017-18, the Board was chaired by my predecessor, Malcolm Beatty and comprised of 3 Forest Service Executive Directors, and two Non-Executive Directors who, as well as being fully involved in the monitoring of agency performance, financial, resource, and risk management, also provide a challenge function where appropriate.

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

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

The Board aims to meet at least six times per year as required by our Terms of Reference. Board members are required at the beginning of each Board meeting to declare any conflicts of interest or any new interests. During the 2017-18 period no declared interests were deemed to conflict with the conduct of Board business.

Accountability Report

C O R P O R A T E G O V E R N A N C E

A total of 6 Forest Service Management Board meetings were held in 2017-18. Attendance details of members are summarised in the following table:

Name	Number of the 6 meetings attended
Malcolm Beatty	5
John Joe O'Boyle	6
Jim Crummie	6
Marcus McAuley	6
Kevin Hegarty (Non-Executive Director)	6
Helen Anderson (Non-Executive Director)	2

There are a number of Committees of the Board, as follows:

- Forest Service Audit & Risk Assurance Committee (FSARAC)
- Governance Committee
- Investment Committee
- Finance [Fees & Charges] Committee
- Information Systems Governance Committee

Forest Service Audit & Risk Assurance Committee (FSARAC)

FSARAC supports me in my responsibilities for stewardship of Agency resources by reviewing the comprehensiveness of arrangements and processes for meeting the Board's and Accounting Officer's assurance needs, and reviewing the reliability and integrity of these assurances.

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

It was chaired in 2017-18 by Kevin Hegarty, a Non-Executive Board Member. Other members of the Committee were Mrs Helen Anderson (NIEA) and Mrs Lisa-Jane Mcilveen (DAERA Food and Farming Group).

FS ARAC met on 4 occasions in 2017-18, as prescribed in the terms of reference. At each meeting the Committee is provided with a report summarising any changes to the Forest Service Corporate Risk Register, an Audit Implementation Plan update, a progress report from the Head of DAERA Internal Audit and other reports as required or requested.

Attendance details of members are summarised in the following table:

Name	Number of the 4 meetings attended
Kevin Hegarty (Chair)	4
Helen Anderson	4
Lisa-Jane Mcilveen	3

Accountability Report

C O R P O R A T E G O V E R N A N C E

Key findings of FSARAC in 2017-18

The Committee noted:

- A comprehensive Forest Service Health & Safety report for the period 1st April 2016 to 31st March 2017;
- The Comptroller and Auditor General (C&AG) certified the 2016-17 financial statements with an unqualified audit opinion without modification. No report on the account was required. Two priority three audit recommendations for management were made and no other issues raised;
- The plant disease outbreak risk remained on the DAERA Corporate Risk Register;
- Evidence of Forest Service embedding governance with the Forest Service Governance Committee focusing on the management of the Forest Service Corporate Risk Register and the Audit Implementation Plan;
- The conclusions of Internal Audit reviews. Internal Audit work was conducted in accordance with Public Sector Internal Audit Standards;
- The successful implementation of previous Internal Audit recommendations by management and the closing of audit recommendations by Internal Audit following follow-up reviews; and
- The impending retirement of the Forest Service Chief Executive, Mr Malcolm Beatty and record a personal appreciation to Mr Beatty for his support and personal commitment.

Governance Committee

I chair this Committee of Executive Directors who periodically invite their senior managers to attend to report on the controls they have in place to ensure proper governance of their work programmes including management of key risks to the delivery of outcomes. We aim to meet monthly. In the event that I or a Director is unavailable, we nominate a deputy to ensure continuity of business each month.

Investment Committee

This Committee was chaired by my Forestry Director in 2017/18. Senior Responsible Owners meet to prioritise and allocate budgets to programmes and projects and to inform bids and easements through DoF monitoring rounds.

Finance (Fees and Charges) Committee

The principle role of this Committee is to review the costs we charge for our commercial services and make recommendations to my Board. The Committee may also convene to consider other pressing financial management matters such as debt, losses and liabilities.

The Forest Service Management Board's (FSMB) performance

The Board carried out a formal review of its effectiveness based upon confidential individual

Accountability Report

C O R P O R A T E G O V E R N A N C E

questionnaires completed by all members. This concluded that the FSMB understands who its key stakeholders are and has a good relationship with them, considers all legal and ethical requirements, and ensures appropriate direction for the Agency. Members indicated satisfaction with meetings and committee structure, the handling of Board processes, and the performance of fellow directors.

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

The FSMB's work is informed by the work of Société Générale de Surveillance (SGS) Qualifor who audits our management performance against the requirements of the UK Woodland Assurance Standard (UKWAS). The SGS Qualifor confirms that there is sufficient evidence that our forests are sustainably managed for products manufactured from our timber to continue to be labelled with the Forest Stewardship Council® (FSC®) or Programme for the Endorsement of Forest Certification schemes (PEFC) logos.

Corporate Governance

The Director of Forestry, the Director of Plant Health, and the Director of Corporate Services have responsibility to provide me with a signed Stewardship Report at the end of Quarters 2, 3 and at Year end. Those reports acknowledge their responsibility for ensuring that objectives for which they are responsible are clearly defined and that all members of staff within their commands are aware of their objectives relevant to their work. In addition, they acknowledge their responsibility for developing and maintaining effective internal controls to provide reasonable assurance of achievement of these objectives. They provide me with specific details of actions taken in various areas of control.

My predecessor supplied the DAERA Accounting Officer with an Agency level Stewardship Report which reports on the governance arrangements in place and that these are being applied appropriately and robustly.

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

In summary, my review of the effectiveness of the Agency's system of internal control shall rely upon the Directors' Stewardship Reports, the Information Security Risk Management Overview report, and the roles carried out by the Board, the Audit Risk and Assurance Committee (ARAC), other Board committees, the Northern Ireland Audit Office, Internal Audit and the Société Générale de Surveillance (SGS).

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

Accountability Report

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Quality of the data used by the Board

I rely on the ARAC to assure my Board that operational work plans are adequate and appropriate in light of both known and emerging risks so ensuring high-level information on risk and control is brought to my attention to assist me in identifying priorities for action. I am further assured as to data quality by the professional competence of audit personnel including the SGS Qualifor and by their systems and processes, and by the processes to prepare and present papers for Board meetings. Directors are required to provide written reports to each Board meeting covering progress with key and supporting targets, internal controls, and resource and risk management.

Disclosure of information

I have taken all reasonable steps to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

Data Handling

Sound records management practices are in place that ensure the appropriate creation, maintenance, and disposal of important information held in paper and electronic formats. Information and information systems as assets are carefully controlled with segmental access provided as required to undertake tasks. The NICS information management systems allows for full audit functionality to minimise and track information risk. Procedures for information loss are documented in the Agency's Information Loss Handling Plan which is kept under review and refreshed accordingly. There were no incidents of data loss reported during the year.

Risk Management

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

The Forest Service Management Board leads the risk management process supported by the Governance Committee and assured by the ARAC. A risk register forms the basis of a risk management plan and is routinely reviewed by the Governance Committee and ARAC. Ownership of risk rests with Directors who ensure that individual staff are able to manage risk in a way appropriate to their authority and duties. The Board is also represented on the Department's Risk Review Group.

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

The main strategic risks within the Forest Service risk profile are entry and spread of serious plant disease, the impact of a collapse of the Northern Ireland timber market or loss of major customers and, in the longer term, loss of productivity of plantations due to pests and disease, storm damage, fire, and loss of nutrients in the soil. The immediate risks to delivery of the Agency business plan are included in the Agency's Risk Register [see overview above] and the wider Department's Corporate Risk Register, if appropriate. Strategic level risk is managed through emergency and

Accountability Report

C O R P O R A T E G O V E R N A N C E

contingency planning processes, the implementation of long-term timber supply contracts, and sharing knowledge about the growing stock with major customers. The Agency emergency fire plan, serious plant pest plan and exotic pests of bees plan have been refreshed and sit under the Department's Major Emergency Response Plan.

Experienced managers throughout the Agency manage risks through a process of inspection and review and plans are modified to take account of risks in the delivery of business objectives.

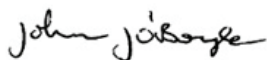
During the year, the work of the Agency focussed on the risks relating to the health and safety of visitors to our forests and staff, diseases affecting crops and trees, those affecting timber sales, and stewardship of financial resources and assets including National and EU grant funds.

Governance Summary

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

- I have access, through the DAERA Permanent Secretary, to leadership, expertise, and guidance from the DAERA Board. It is deemed adequate to have two NEBMs to support the Executive members on the Agency Management Board. New NEBMs are being appointed for 2018/19.
- My Director of Corporate Services is responsible for finance, human resources, communications, and governance and accountability processes generally. This member supervises professionally qualified accountants and draws on the Department in bringing accountancy expertise to the Board.

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



JOHN JOE O'BOYLE
Chief Executive
13 June 2018

Accountability Report

REMUNERATION & STAFF

Remuneration Report

Remuneration Policy

The Senior Civil Service (SCS) remuneration arrangements are based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance. In 2012, upon creation, there were 11 points on each scale. The minimum point has been removed in each year from 2014 to 2016 (the scales now have 8 pay points) to allow progression through the pay scales within a reasonable period of time.

The pay remit (for the NI public sector and SCS) is normally approved by the Minister of Finance but in the absence of an Executive the DoF Permanent Secretary has set the 2017-18 NI public sector pay policy in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17. [The pay award for SCS staff for 2017-18 has not yet been finalised.]

Service Contracts

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

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

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

Salary and pension entitlements

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

Accountability Report

REMUNERATION & STAFF

Remuneration (including salary) and pension entitlements [Audited]

Officials

	2017-18					2016-17				
	Salary	Bonus Payments	Benefits in kind (to nearest £100)	*Pension benefits (to nearest £1,000)	Total	Salary	Bonus Payments	Benefits in kind (to nearest £100)	*Pension benefits (to nearest £1,000)	Total
	£'000	£'000			£'000	£'000	£'000			£'000
Mr M Beatty (Chief Executive)	75-80	0	0	(1,000)	75-80	75-80	0	0	29,000	105-110
Mr JJ O'Boyle (Director Of Forestry)	60-65	0	0	(5,000)	55-60	60-65	0	0	11,000	70-75
Mr J Crummie (Director of Plant Health)	55-60	0	0	4,000	60-65	55-60	0	0	46,000	100-105
Mr M McAuley (Head of Corporate Services)	50-55	0	0	(3,000)	45-50	50-55	0	0	11,000	60-65

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

Salary

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

Accountability Report

REMUNERATION & STAFF

Benefits in kind

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

Bonuses

Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2017-18 relate to performance in 2017-18 and the comparative bonuses reported for 2016-17 relate to the performance in 2016-17.

Pay multiples [Audited]

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

The banded remuneration of the highest paid director in Forest Service in the financial year 2017-18 was £75-80k (2016-17: £75-80k). This was 3.10 times (2016-17: 3.01 times) the median remuneration of the workforce, which was £24,975 (2016-17: £25,719).

	2017-18		2016-17
Band of highest paid Directors total remuneration	£75-80k	Band of highest paid Directors total remuneration	£75-80k
Median total remuneration	£24,975	Median total remuneration	£25,719
Ratio	3.10	Ratio	3.01

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

Non-Executive Directors (NEDs)

The Non-Executive Directors received no remuneration for their position as a NED.

Accountability Report

REMUNERATION & STAFF

Pension Entitlements [Audited]

Officials

	Accrued pension at pension age as at 31/3/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/18	CETV at 31/3/17	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	nearest £100
Mr M Beatty <i>(Chief Executive)</i>	35-40 plus lump sum of 115-120	0-2.5 plus lump sum of 0-2.5	817	805	-1	0
Mr JJ O'Boyle <i>(Director Of Forestry)</i>	25-30 plus lump sum of 80-85	(2.5)-0 plus lump sum of (2.5)-0	640	632	-7	0
Mr J Crummie <i>(Director of Plant Health)</i>	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 0-2.5	545	523	4	0
Mr M McAuley <i>(Head of Corporate Services)</i>	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	475	446	-4	0

Negative Results

In some cases, the real increase in CETV and the pension benefits accrued for the single total figure of remuneration can be negative – that is, there can be a real decrease. This is particularly likely to happen during periods of pay restraint and/or where inflation is higher than pay increases.

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP). The alpha pension scheme was introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the classic, premium, classic plus and nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32%.

New entrants joining can choose between membership of alpha or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual

Accountability Report

REMUNERATION & STAFF

pensionable earnings throughout the period of scheme membership. The current rate is 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). From April 2011, pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2017 was 3% and HM Treasury has announced that public service pensions will be increased accordingly from April 2018.

Employee contribution rates for all members for the period covering 1 April 2018 – 31 March 2019 are as follows:

Annualised Rate of Pensionable Earnings		Contribution rates – Classic members or classic members who have moved to alpha	Contribution rates – All other members
(Salary Bands)			
From	To	From 01 April 2018 to 31 March 2019	From 01 April 2018 to 31 March 2019
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,636.99	4.6%	4.6%
£21,637.00	£51,515.99	5.45%	5.45%
£51,516.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% 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 their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website <https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni>.

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REMUNERATION & STAFF

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

In some cases, the real increase in CETV and the pension benefits accrued for the single total figure of remuneration can be negative – that is, there can be a real decrease. This is particularly likely to happen during periods of pay restraint and/or where inflation is higher than pay increases.

Compensation for loss of office

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

Accountability Report

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STAFF REPORT

Number of SCS staff by band

The Forest Service Chief Executive, at Grade 5, is the organisation's only Senior Civil Servant.

Staff Costs [Audited]

Staff costs comprise:

			2017-18 £000	2016-17 £000
	<i>Permanently employed staff</i>	<i>Others</i>	<i>Total</i>	<i>Total</i>
Wages and Salaries	5,924	116	6,040	5,932
Social Security Costs	567	6	573	582
Other Pension Costs	1,190	4	1,194	1,203
Total net costs	7,681	126	7,807	7,717

Of which:

Charged to Administration	Nil	Nil
Charged to Programme	7,807	7,717

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but Forest Service is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DoF Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2018.

For 2017-18, employers' contributions of £1,189,382 were payable to the NICS pension arrangements (2016-17: £1,203,414) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the Actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2018-19, the rates will also range from 20.8% to 26.3% however the salary bands differ. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £NIL (2016-17: £NIL) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions

Accountability Report

REMUNERATION & STAFF

are age-related and range from 8% to 14.75% (2016-2017: 8% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £NIL, 0.5% (2016-17: £NIL, 0.5%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the reporting period date were £NIL. Contributions prepaid at that date were £NIL.

One person (2016-17: Nil persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £6,101 (2016-17: £NIL).

Average Number of Persons Employed

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

			2017-18 Number	2016-17 Number
	Permanent staff	Others	Total	Total
Industrial	95.29	5.02	100.31	100.00
Non Industrial	104.31	2.19	106.50	107.05
Total	199.60	7.21	206.81	207.05

Exit packages – summary data [Audited]

There were no exit packages during 2017-18.

Staff composition (Male and Female – SCS, Directors, and employees)

The Forest Service Management Board comprises the Chief Executive (male), 3 Executive Directors (male) and 2 non- Executive Directors (1 male, 1 female).

Of the 214 current members of staff, 35 are female (28 non-industrial and 7 industrial).

	G5	G6	G7	DP	SO	EO1	EO2	AO	AA	IND	TOTAL
Female	0	0	1	1	3	5	6	12	0	7	35
Male	1	1	4	9	20	39	3	1	2	99	179
	1	1	5	10	23	44	9	13	2	106	214

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REMUNERATION & STAFF

Sickness absence data

Robust absence management policy and procedure is adopted by the Agency to ensure that the reasons for absence are quickly understood and are addressed with HR partners and with medical professionals when necessary. The desired outcome in all cases is to assist and support staff to return to work as soon as possible.

The Agency just failed to meet the ambitious target we set ourselves, to maintain the days lost per member of staff through sickness to less than 7.5 days in the year; the Agency achieved an average 8.3 days. Analyses of the data indicated that long term cases persisted during the year whereby at any one time 4-8 staff members were absent for periods of more than 20 days. For staff unable to return to work we fully supported recommendations from our HR partners to facilitate retirements. Short term absence rates remained within target.

Staff policies applied re employment of disabled people

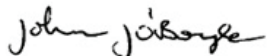
Forest Service staff members are civil servants and are covered by all NICS HR policies.

Expenditure on consultancy

The Agency had no external consultancy expenditure during the year.

Off-payroll engagements

The Agency had no off-payroll engagements during the year.



JOHN JOE O'BOYLE
Chief Executive
13 June 2018

Accountability Report

ASSEMBLY ACCOUNTABILITY & AUDIT REPORT

Regularity of Expenditure *[Audited]*

As Forest Service's Accounting Officer I am content that the expenditure and income of my Agency have been applied to the purposes intended by the NI Assembly. Furthermore I am content that the Agency's transactions are within the scope of the authorities that govern them, and that there are no material weaknesses in the design and implementation of the Agency's internal controls to prevent and detect fraud.

A breakdown of losses incurred during the year can be found at Note 23 to the Financial Statements.

Fees and Charges *[Audited]*

The Agency is required to review the services that it provides and supply a detailed Memorandum Trading Account (MTA) detailing forecast income and expenditure in support of the charging proposals for schemes/services.

The main activity that attracts a charge is timber sales, recreation; both commercial and non-commercial and Plant Health Inspection fees.

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

The financial objective of timber sales is the sale of approx. 400,000m³ annually to the timber industry at market value through the arrangement of Long Term Contracts, Tender Sales or Negotiated Sales.

A breakdown of the income and expenditure for each activity can be found at Note 3 to the Financial Statements.

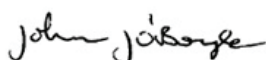
Remote Contingent Liabilities *[Audited]*

The Agency has no remote contingent liabilities as at 31 March 2018.

Long Term Expenditure Trends

The need for economy and value for money in public expenditure, coupled with pressure to reduce Civil Service manning levels continued during the year. Planning for further reduced salaries and wages budgets from 2017 -2021 has been ongoing. Implementation of a new target operating model aligned to our business priorities has been challenged by the reduction in these budgets and the uncertainty about future headcount limits.

The timber industry has shown resilience and demand for timber remains strong albeit that price paid to us looks set to fall in 2018-19 due to wider market supply and demand adjustments. The impact of the UK's exit from the EU in this regard is uncertain at this time.



JOHN JOE O'BOYLE
Chief Executive
13 June 2018

Accountability Report

ASSEMBLY ACCOUNTABILITY & AUDIT REPORT

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Accountability Report

ASSEMBLY ACCOUNTABILITY & AUDIT REPORT

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

Opinion on financial statements

I certify that I have audited the financial statements of the Forest Service Agency for the year ended 31 March 2018 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Forest Service Agency's affairs as at 31 March 2018 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Forest Service Agency in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and

Accountability Report

ASSEMBLY ACCOUNTABILITY & AUDIT REPORT

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

I am required to obtain 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.



KJ Donnelly

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

22 June 2018



Accounts

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

		2017-18 £000	2016-17 £000
	Note		
Operating Income			
EU Income	2	(891)	(841)
Operating Income	2	(11,354)	(10,601)
Total Operating Income		(12,245)	(11,442)
Operating Expenditure			
Staff Costs	4	7,807	7,717
Grants	4	1,558	1,470
Other Operating Expenditure	4	5,571	5,142
Non-Cash Items	4	3,078	2,667
Revaluation	4	(8,937)	(5,112)
Total Operating Expenditure		9,077	11,884
Net expenditure / (surplus) for the year		(3,168)	442

All income and expenditure is derived from continuing operations.

Other Comprehensive Net Expenditure:

Net (gain) / loss on revaluation of Property, Plant and Equipment	7.1, 12	1,811	13,679
Net (gain) / loss on revaluation of Intangible Assets	8.1	(4)	(2)
Comprehensive Net Expenditure/ (Surplus) for the year		(1,361)	14,119

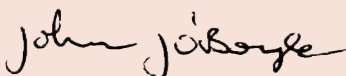
The notes on pages 53 to 74 form part of these accounts.

Accounts

Statement of Financial Position as at 31 March 2018

This statement presents the financial position of Forest Service. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

		2017-18 £000	2016-17 £000
	Note		
Non-current assets:			
Heritage assets	6	1,167	1,167
Property, plant and equipment	7	117,990	120,827
Intangible assets	8	587	606
Biological assets	10	197,444	187,885
Total non-current assets		317,188	310,485
Current assets:			
Assets classified as held for sale	11	736	1,169
Inventories	14	53	46
Trade and other receivables	15	2,619	2,235
Cash and cash equivalents	16	4	4
Total current assets		3,412	3,454
Total assets		320,600	313,939
Current liabilities:			
Trade and other payables	17	(1,974)	(1,927)
Provisions	18	(317)	(380)
Total current liabilities		(2,291)	(2,307)
Total assets less current liabilities		318,309	311,632
Non-current liabilities:			
Provisions	18	-	-
Total non-current liabilities		-	-
Total assets less total liabilities		318,309	311,632
Taxpayers' equity and other reserves:			
General fund		259,624	250,634
Revaluation reserve		58,685	60,998
Total equity		318,309	311,632



JOHN JOE O'BOYLE
Accounting Officer
13 June 2018

Statement of Cash Flows for the year ended 31 March 2018

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Agency during the reporting period. The statement shows how the Agency generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Agency. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Agency's future public service delivery.

		2017-18 £000	2016-17 £000
	Note		
Cash flows from operating activities			
Net operating expenditure		3,168	(442)
Adjustments for non-cash transactions	4	(5,859)	(2,475)
(Increase) / decrease in trade and other receivables	15	(384)	13
(Increase) / decrease in inventories	14	(7)	6
Increase / (decrease) in trade and other payables	17	47	(815)
Use of provisions	18	(13)	-
Bad debt provisions provided for / (released) in year	4	(3)	-
Net cash outflow from operating activities		(3,051)	(3,713)
Cash flows from investing activities			
Purchase of non-financial assets	7	(673)	(1,011)
Purchase of intangible assets	8	(25)	(75)
Proceeds from disposal of non-financial assets	4, 7	53	30
Net cash outflow from investing activities		(645)	(1,056)
Cash flows from financing activities			
Funding from Parent Department		3,696	4,770
Net financing		3,696	4,770
Net increase / (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		-	1
Cash and cash equivalents at the beginning of the period			
	16	4	3
Cash and cash equivalents at the end of the period			
	16	4	4

The notes on pages 53 to 74 form part of these accounts.

Accounts

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

This statement shows the movement in the year on the different reserves held by Forest Service, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of an Agency, to the extent that the total is not represented by other reserves and financing items.

	General Fund	Revaluation Reserve	Taxpayers' Equity
	£000	£000	£000
Balance at 31 March 2016	244,302	75,065	319,367
Net Assembly Funding – drawn down from DAERA	4,770	-	4,770
Comprehensive Net Expenditure for the year – Net surplus / (deficit)	(442)	-	(442)
Non-cash adjustments	-	(13,679)	(13,679)
Non-cash charges – other notional costs	1,603	-	1,603
Non-cash charges - auditors remuneration	13	-	13
Transfers between reserves	388	(388)	-
Balance at 31 March 2017	250,634	60,998	311,632
Net Assembly Funding – drawn down from DAERA	3,696	-	3,696
Comprehensive Net Expenditure for the year – Net surplus / (deficit)	3,168	-	3,168
Non-cash adjustments	-	(1,808)	(1,808)
Non-cash charges – other notional costs	1,608	-	1,608
Non-cash charges - auditors remuneration	13	-	13
Transfers between reserves	505	(505)	-
Balance at 31 March 2018	259,624	58,685	318,309

Notes to the Agency's Accounts

1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2017-18 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS's) as adapted or interpreted for the public-sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Forest Service for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Forest Service are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting Convention

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

1.2 Property, plant and equipment

Capitalisation

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

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

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

Valuation

Buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Professional revaluations of buildings are undertaken every five years, with the valuations used in these accounts provided by Land and Property Services (LPS) as at 1 April 2014. Buildings are revalued annually, between professional valuations, using indices provided by LPS. From 1 April 2012 the Agency's buildings have been revalued using the Building Cost Information Service (BCIS) index provided by LPS. In prior years the index used to revalue buildings was the One-Percent Price Index (OPI) as provided by the Office for National Statistics.

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

Land forms part of the Combined Asset Valuation (CAV) of forestry land and timber thereon and is valued annually by LPS. The fair value for the land is calculated by deducting the fair value of the timber from the CAV. All valuations have been carried out by LPS in accordance with the current edition of the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV).

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

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

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

Assets under construction are carried at cost.

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

Depreciation

Depreciation is charged on a straight-line basis, to write off the cost or valuation, less estimated residual value, where relevant, of each asset over its estimated useful life. The useful lives, which are reviewed regularly, and were aligned with the parent department's policy in 2017-18 are:

Plant, machinery, equipment and computers	3 to 40 years
Motor vehicles	5 – 15 years
Buildings	10 – 75 years

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

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

Assets under construction are not depreciated until they are commissioned.

1.3 Intangible Assets

Intangible assets are valued initially at cost and subsequently at fair value using the revaluation model.

Land Rights

Land rights (shooting and turbarry rights) are valued every 5 years by a professional valuer. The valuation of land rights used in these accounts were provided by the Land and Property Services (LPS) as at 1 April 2014 in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). There is no in-year amortisation charge as the life span is land-based and therefore assumed to be infinite.

Software Licences

Purchased computer software licenses are capitalised as intangible assets where expenditure of £5,000 or more is incurred. In addition, similar licenses falling below this threshold, which when grouped exceed the threshold, are also capitalised. The value of the capitalised licenses is restated at fair value at the Statement of Financial Position date in accordance with the movement in the Retail Price Index (RPI). Software licenses are amortised over their expected useful life, which can be from 1 to 7 years, depending on the license.

Developed Software

Developed Software is a combination of the Forest Service Geographic Information System (FSGIS) which is used in the management and monitoring of Forest Service forests and grant-aided private woodlands, and independently commissioned reports on the usage of the forests. These are amortised over the expected useful life of the asset, which can be from 1 to 7 years.

1.4 Biological Assets

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

The age and expected volume at harvest is derived from an ongoing programme of forest inventory measurement and applied to a series of timber yield models. The age of Maximum Mean Annual Increment (MMAI) is an industry convention used as the most appropriate method of assessing when a plantation is mature. The actual date of harvest may differ for a variety of reasons, aimed at evening out the rate of timber supply and ensuring the continuing supply of forest services other than timber.

In the absence of an active market for the sale of immature plantations in Northern Ireland, the volume of trees is included in non-cultivated assets on a fair value basis less estimated selling costs.

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

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

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

1.5 Heritage Assets

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

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

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

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

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

1.7 Inventories

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

1.8 Contingent Liabilities

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

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

1.9 Provisions

The Agency provides for present legal and constructive obligations, which are of an uncertain timing, or amount at the Statement of Financial Position date, on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the real rate set by HM Treasury.

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

DAERA is required to meet the cost of paying the pensions of employees who retire early from the date of their retirement until they reach normal pensionable age. DAERA provides in full for the cost of meeting these payments in respect of early retirement programmes at the time that a liability is created. These costs are included as a notional cost in the Agency accounts. There were no early retirements in 2017-18 (2016-17: NIL retirements).

1.10 Revenue recognition

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

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

1.11 Grants payable and EU funding

Grants payable to individuals and bodies are accounted for as they are approved for payment. No provision is made in the financial statements for grant offers made but not yet approved for payment.

Forestry Grant Schemes for the creation of new woodland, the restocking of previously felled areas and the management of existing mature and semi-mature woodlands are co-funded by the European Agricultural Fund (EAF). Once grants become recognised, contributions from the EU are claimed.

If grants are subsequently recovered because of the failure to fulfil the condition of the relevant woodland grant scheme, the amount of co-financing may be repayable to the EU.

1.12 Administration and Programme Income and Expenditure

The Statement of Comprehensive Net Expenditure shows only programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set out in the Consolidated Budgeting Guidance issued by HM Treasury and adopted by the Department of Finance for Northern Ireland.

All the Agency's income and expenditure relates directly to service delivery and as such is designated as programme.

1.13 Employee Benefits including Pension Costs

Pensions

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

Short-term employee benefits

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

1.14 Functional Currency / Foreign Exchange / Roundings

The functional currency is Sterling and, except where otherwise stated, figures have been rounded to the nearest thousand pounds.

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

1.15 Value Added Tax

The Forest Service is registered for VAT. In order to comply with government accounting regulations and normal commercial practice, income and expenditure shown in the Statement of Comprehensive Net Expenditure is net of VAT.

Any VAT due to or from HM Revenue and Customs at the year-end is included in the accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure in the year in which it is occurred.

1.16 Taxation

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

1.17 Financial Instruments

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

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

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

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

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

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

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

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

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

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

1.18 Related Party Transactions

The Forest Service is an executive agency of the Department of Agriculture, Environment and Rural Affairs. DAERA is regarded as a related party. During the year, Forest Service has had various material transactions with DAERA and with other entities for which DAERA is regarded as the parent Department.

In addition, Forest Service has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with Northern Ireland departments, their executive agencies and arm’s length bodies.

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

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

1.19 Segmental Reporting

Under IFRS 8, the Agency has one operating segment whose results are regularly reviewed by the Accounting Officer to make decisions about resources to be allocated to the segment and assess its performance. The operating aim of the Agency is to promote forestry and enhance plant health for a thriving and sustainable rural economy, community and environment to promote social and economic equality.

1.20 Critical accounting estimates and key adjustments

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

1.21 Accounting standards, interpretations and amendments to published standards adopted in the year ended 31 March 2018

The Agency has reviewed the standards, interpretations and amendments to published standards that became effective during 2017-18 and which are relevant to its operations. The Agency anticipates that the adoption of these standards will have no material impact on the Forest Service's financial position or results of operations.

Accounting boundary IFRS' are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new standard.

1.22 Impending application of newly issued accounting standards not yet effective

The Agency has not adopted any standards or interpretations in advance of the required implementation dates. New standards have been issued that will have to be considered by the Agency in 2018-19, such as:
IFRS 9 Financial Instruments;
IFRS 15 Revenue from Contracts with Customers; and
IFRS 16 Leases.

Accounts

2. Income

	2017-18	2016-17
	£000	£000
Grant Income:		
EU Income	891	841
Operating Income:		
Timber Sales	9,072	8,937
Other Forest Products	23	42
Recreation	1,017	1,027
Rentals	740	466
Other Activities	502	129
	11,354	10,601
Total	12,245	11,442

3 Business Activities Attracting Fees and Charges

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

- i) Commercial Recreation encompasses camping and caravanning, as well as game shooting.
- ii) Non-Commercial Recreation refers to visits to all forests. Entrance charges are only levied for 8 Forest Parks.
- iii) The financial objective of Commercial Recreation is full cost recovery. However, in the case of Non-Commercial Recreation, 100% recovery cannot realistically be achieved in the foreseeable future and the short-term objective is to recover at the maximum level that the market will bear.
- iv) Plant Health Inspection Branch charge fees for Potato Growing Crop and Tuber Inspections. These relate to costs for inspections carried out under the Seed Potato Certification Scheme.
- v) Timber sales refer to the sale of timber from the forest estate to customers, through the arrangement of Long Term Contracts, Tender Sales or Negotiated Sales.

	2017-18			2016-17		
	Income	Cost	Surplus / (Deficit)	Income	Cost	Surplus / (Deficit)
	£000	£000	£000	£000	£000	£000
Timber Sales	9,072	1,015	8,057	8,937	983	7,954
Commercial Recreation	463	499	(36)	468	448	20
Non-Commercial Recreation	553	1,381	(828)	556	1,347	(791)
Potato Growing Crop and Tuber Inspections	40	41	(1)	17	41	(24)
Total	10,128	2,936	7,192	9,978	2,819	7,159

Accounts

4. Programme Costs

		2017-18	2016-17
		£000	£000
	Note		
<u>Grant Payments</u>			
National element		667	629
EU element		891	841
		1,558	1,470
<u>Staff Costs</u>			
Wages and Salaries		6,040	5,932
Social Security Costs		573	582
Other Pension Costs		1,194	1,203
		7,807	7,717
<u>Other Expenditure</u>			
Rentals under operating leases		84	100
Staff related costs		403	395
Accommodation costs		225	242
Office Services		157	124
Contracted out services		2,637	1,847
Professional costs		170	128
Consultancy costs		-	80
Other costs		1,892	1,825
Non-capital purchases		3	401
		5,571	5,142
<u>Non-cash items</u>			
Depreciation	7	1,462	1,255
Amortisation	8	48	13
Loss / (Profit) on disposal of non-current assets		-	-
Liability provisions provided for / (released) in year	18	(50)	(217)
Bad debts written off		-	-
Bad debts provided for / (released) in year		(3)	-
Notional charges	5	1,621	1,616
		3,078	2,667
<u>Other non-cash items</u>			
Revaluation - Timber	12	(9,125)	(7,501)
Revaluation - Other assets	7	188	2,389
		(8,937)	(5,112)
Total Programme Costs		9,077	11,884

Accounts

4. Programme Costs (cont.)

Grant Payments

The total of grant payments for 2017-18 included £NIL paid to public bodies (2016-17: £2,636) and £1,557,955 (2016-17: £1,452,484) paid to private sector recipients.

Growing Timber Revaluation

Included within Programme Costs is the movement in the fair value of the biological growing timber asset, which is explained in more detail at Note 10.

Staff Costs

Further analysis of staff costs is located in the Staff Report within the Accountability Report.

5. Notional Costs

	2017-18	2016-17
	£000	£000
<i>Services provided by parent department:</i>		
Central Support	830	966
Total	830	966
<i>Services provided by other departments:</i>		
DoF Accommodation	321	148
NICS HR	115	-
Business Development Service	-	3
Departmental Solicitor's Office	30	5
Account NI	69	107
IT Assist	243	371
Auditor's remuneration and expenses	13	13
LPS Valuation Fees	-	3
	791	650
Total Notional Costs	1,621	1,616

Notional Costs

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

The transfer of all HR functions to DoF has resulted in a new notional charge for 2017-18. In prior years the notional charge for HR was incorporated within the Central Support costs provided by the parent department.

Accounts

6. Heritage Assets

6.1 2017-18

Cost or valuation

At 1 April 2017

Additions

Disposals

Reclassifications

Revaluations

Impairments

Indexation

At 31 March 2018

Carrying amount at 31 March 2018

Carrying amount at 31 March 2017

Heritage Assets	£000
	1,167
	-
	-
	-
	-
	-
	-
	-
	1,167
	1,167
	1,167

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

6.2 2016-17

Cost or valuation

At 1 April 2016

Additions

Disposals

Reclassifications

Revaluations

Impairments

Indexation

At 31 March 2017

Carrying amount at 31 March 2017

Carrying amount at 31 March 2016

Heritage Assets	£000
	1,167
	-
	-
	-
	-
	-
	-
	1,167
	1,167
	1,167

Accounts

7. Property, Plant and Equipment

	Land £000	Buildings £000	Plant & Machinery £000	Information Technology £000	Assets under Construction £000	Total £000
7.1 2017-18						
Cost or valuation						
At 1 April 2017	108,404	11,464	6,699	626	426	127,619
Additions	-	83	434	101	55	673
Disposals	-	(314)	(570)	(150)	-	(1,034)
Impairments	-	-	-	-	-	-
Reclassifications & Transfers	-	415	-	6	(415)	6
Revaluations	(2,864)	870	(29)	19	-	(2,004)
At 31 March 2018	105,540	12,518	6,534	602	66	125,260
Depreciation						
At 1 April 2017	515	2,091	3,918	269	-	6,793
Charge in year	175	751	426	110	-	1,462
Disposals	-	(314)	(516)	(150)	-	(980)
Impairments	-	-	-	-	-	-
Reclassifications & Transfers	-	-	-	-	-	-
Revaluations	(175)	201	(39)	8	-	(5)
At 31 March 2018	515	2,729	3,789	237	-	7,270
Carrying amount at 31 March 2018	105,025	9,789	2,745	365	66	117,990
Carrying amount at 31 March 2017	107,891	9,373	2,780	357	426	120,827
Asset financing:						
Owned	105,025	9,789	2,745	365	66	117,990
Financed Leased	-	-	-	-	-	-
Carrying amount at 31 March 2018	105,025	9,789	2,745	365	66	117,990

Forest Service land forms part of the Combined Asset Valuation of forestry land and timber thereon (CAV) and is valued annually by LPS. The fair value for the land is calculated by deducting the fair value of the timber (as calculated per note 1.4) from the CAV.

All valuations have been carried out by LPS in accordance with the current edition of the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV).

Forest Service buildings were valued as at 1 April 2014 on an existing use basis by an independent surveyor, Land and Property Services (LPS), a division of the Department of Finance. Properties surplus to requirements are valued on the basis of open market value less any material, directly attributable, selling costs.

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

Accounts

7. Property, Plant and Equipment (cont.)

	Land £000	Buildings £000	Plant & Machinery £000	Information Technology £000	Assets under Construction £000	Total £000
7.2 2016-17						
Cost or valuation						
At 1 April 2016	125,352	9,680	6,119	595	1,708	143,454
Additions	-	80	710	-	221	1,011
Disposals	-	(81)	(261)	-	-	(342)
Impairments	-	-	-	-	-	-
Reclassifications & Transfers	-	1,518	-	-	(1,503)	15
Revaluations	(16,947)	266	131	31	-	(16,519)
At 31 March 2017	108,405	11,463	6,699	626	426	127,619
Depreciation						
At 1 April 2016	514	1,483	4,137	162	-	6,296
Charge in year	138	650	368	99	-	1,255
Disposals	-	(81)	(231)	-	-	(312)
Impairments	-	-	-	-	-	-
Reclassifications & Transfers	-	-	-	-	-	-
Revaluations	(138)	38	(355)	8	-	(447)
At 31 March 2017	514	2,090	3,919	269	-	6,792
Carrying amount at 31 March 2017	107,891	9,373	2,780	357	426	120,827
Carrying amount at 31 March 2016	124,838	8,197	1,982	433	1,708	137,158
Asset financing:						
Owned	107,891	9,373	2,780	357	426	120,827
Financed Leased	-	-	-	-	-	-
Carrying amount at 31 March 2017	107,891	9,373	2,780	357	426	120,827

Accounts

8. Intangible Assets

8.1 2017-18

Cost or valuation

	Land Rights £000	Software Licenses £000	Developed Software £000	Total £000
At 1 April 2017	516	93	178	787
Additions	-	13	12	25
Disposals	-	(93)	(85)	(178)
Impairments	-	-	-	-
Reclassifications and Transfers	-	-	-	-
Revaluations	-	1	7	8

At 31 March 2018

516	14	112	642
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Amortisation

At 1 April 2017	-	93	88	181
Charge in year	-	-	48	48
Disposals	-	(93)	(85)	(178)
Impairments	-	-	-	-
Reclassifications and Transfers	-	-	-	-
Revaluations	-	-	4	4

At 31 March 2018

-	-	55	55
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Carrying amount at 31 March 2018

516	14	57	587
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Carrying amount at 31 March 2017

516	-	90	606
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Land Rights held by the Forest Service relate to shooting, turbarry rights and wayleaves. They are valued at 5-yearly intervals by the Land and Property Services (LPS), the latest being at 1 April 2014.

Accounts

8. Intangible Assets (cont.)

8.2 2016-17

Cost or valuation

	Land Rights £000	Software Licenses £000	Developed Software £000	Total £000
At 1 April 2016	516	93	85	694
Additions	-	-	75	75
Disposals	-	-	-	-
Impairments	-	-	-	-
Reclassifications and Transfers	-	-	16	16
Revaluations	-	-	2	2

At 31 March 2017

516	93	178	787
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Amortisation

At 1 April 2016	-	93	75	168
Charge in year	-	-	13	13
Disposals	-	-	-	-
Impairments	-	-	-	-
Reclassifications and Transfers	-	-	-	-
Revaluations	-	-	-	-

At 31 March 2017

-	93	88	181
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Carrying amount at 31 March 2017

516	-	90	606
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Carrying amount at 31 March 2016

516	-	10	526
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9. Donated Assets

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

There were no donated assets during 2017-18 (2016-17: Nil).

10. Biological Assets

		2017-18 £000	2016-17 £000
	Note		
Value at 1 April		187,885	180,052
<i>Revaluation adjustment</i>			
Transfer to assets held for sale	11	(736)	(1,169)
Timber removals		(7,824)	(8,222)
Timber lost to fire		(25)	(5)
Timber lost to disease		-	-
Price / Growth increment		18,144	17,229
Carrying amount at 31 March		197,444	187,885
Revaluation adjustment:			
Credited / (Charged) to Statement of Comprehensive Net Expenditure	4	9,125	7,501
In-year movement in assets held for sale	11	433	331
Movement in timber valuation		9,558	7,832

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

Timber identified as having been allocated under contract and removed from the estate database being available for sale in 2018-19 is valued at the expected sales price. Timber removals in year are valued at the sales price achieved.

Movement in timber valuation

The timber valuation model uses Yield Class as a standard measure of growth productivity to determine at what age a sub-compartment of forest for valuation is mature. The growth productivity of forest areas is derived from an ongoing programme of forest inventory measurement and applied to a series of timber yield models. The age of Maximum Mean Annual Increment (MMAI) is used as the most appropriate method of assessing when a crop is mature.

Actual harvested timber recoveries and annualised market values are used to determine a net value per hectare.

A 3.5% increase in the income per harvested hectare combined with a 3.1% increase in costs to sell accounted for the revaluation movement.

The increase in the value of sales at maturity rose to £9,712 ha (2016 -17: £9,381 ha), coupled with an increase in the costs to sell of £1,290ha (2016 -17: £1,251 ha) accounted for the £9.6 m revaluation movement.

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

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11. Current Assets – Assets Classified as Held for Sale

		2017-18 £000	2016-17 £000
	Note		
Land		-	-
		-	-
Timber			
Opening balance		1,169	1,500
Additions		736	1,169
Disposals		(1,169)	(1,500)
Revaluation		-	-
Transfers		-	-
Closing balance		736	1,169
Carrying amount at 31 March		736	1,169

There are no assets surplus to requirements as at 31 March 2018.

Assets held for sale include timber allocated for sale under contract which has been removed from the forest estate database and not therefore valued as part of the non-current timber asset per note 10. This timber held for sale at year end will be sold in the following financial year and therefore is disclosed as a current asset held for sale valued at the expected sales price.

12. Revaluations

		2017-18 £000	2016-17 £000
	Note		
Property, Plant & Equipment	4, 7	188	2,389
Growing Timber Revaluation	4, 10	(9,125)	(7,501)
Total Revaluation (credit) / charge in year	4	(8,937)	(5,112)

13. Financial Instruments

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

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14. Inventories

	2017-18 £000	2016-17 £000
Stock	53	46
Balance at 31 March	53	46

15. Trade Receivables and Other Current Assets

	2017-18 £000	2016-17 £000
Amounts falling due within one year:		
Trade receivables	2,390	2,149
Other receivables	35	54
Prepayments & Accrued Income	194	32
Balance at 31 March	2,619	2,235
Amounts falling due after more than one year		
Trade receivables	-	-
Other receivables	-	-
Prepayments & Accrued Income	-	-
Balance at 31 March	-	-
Total Receivables at 31 March	2,619	2,235

16. Cash and cash equivalents

	2017-18 £000	2016-17 £000
Balance at 1 April		
Net change in cash and cash equivalent balances	4	3
	-	1
Balance at 31 March	4	4
The following balances at 31 March were held at:		
Commercial banks and cash in hand	4	4
Balance at 31 March	4	4

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17. Trade Payables and Other Current Liabilities

	2017-18 £000	2016-17 £000
Amounts falling due within one year:		
Other taxation and social security	-	12
Trade payables	15	9
Other payables	-	95
Accruals and Deferred Income	1,875	1,786
VAT	84	25
Balance at 31 March	1,974	1,927
Amounts falling due after more than one year		
Other taxation and social security	-	-
Trade payables	-	-
Other payables	-	-
Accruals and Deferred Income	-	-
VAT	-	-
Balance at 31 March	-	-
Total payables at 31 March	1,974	1,927

18. Provisions for liabilities and charges

2017-18

	Legal Claims £000	Total £000
Balance at 1 April 2017	380	380
Provided in the year	113	113
Provisions utilised in the year	(13)	(13)
Provisions not required written back	(163)	(163)
Balance at 31 March 2018	317	317

Analysis of expected timing of discounted cash flows

Not later than one year	317	317
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March 2018	317	317

Accounts

18. Provisions for liabilities and charges (cont.)

2016-17

	Legal Claims	Total
	£000	£000
Balance at 1 April 2016	597	597
Provided in the year	191	597
Provisions utilised in the year	-	-
Provisions not required written back	(408)	(408)
Balance at 31 March 2017	380	380

Analysis of expected timing of discounted cash flows

Not later than one year	380	380
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March 2017	380	380

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

Legal claims where the legal advice is that the claims are either not probable, or the liability cannot be estimated reliably, are disclosed as contingent liabilities in Note 22.

19. Grant Commitments

The agency has entered into non-cancellable contracts (which are not leases or PFI (and other service concession arrangement) contracts) for grants for the creation and management of woodlands which are payable annually in arrears, so long as specific objectives and criteria are met. The payments to which the agency is committed, based upon co-finance rates specified in the 2014-2020 Rural Development Programme (version 5.2 adopted by the EC on 19/12/2017) are as follows:

	Legal Claims	Total
	£000	£000
EU Grant Schemes		
Not later than one year	1,337	1,054
Later than one year and not later than five years	2,228	1,945
Later than five years	1,479	1,275
	5,044	4,274
National Grant Schemes		
Not later than one year	474	753
Later than one year and not later than five years	743	1,297
Later than five years	493	850
	1,710	2,900

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19. Grant Commitments (cont.)

	2017-18 £000	2016-17 £000
Total EU / National Grant Schemes		
Not later than one year	1,811	1,807
Later than one year and not later than five years	2,971	3,242
Later than five years	1,972	2,125
	6,754	7,174

20. Capital Commitments

There are no contracted capital commitments at 31 March 2018 (2016-17: £NIL).

21. 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:

	2017-18 £000	2016-17 £000
Land		
Not later than one year	2	2
Later than one year and not later than five years	7	7
Later than five years	173	175
	182	184

Finance leases

The Agency had no finance leases during 2017-18 or 2016-17.

22. Contingent liabilities disclosed under IAS 37

Public Liability Claims

The Agency has 10 ongoing public liability claims at 31 March 2018 (31 March 2017: 23 claims). Due to the serious prejudice that would be caused to the Agency's position in relation to these claims with other parties, full disclosure is not possible.

23. Losses and Special Payments

Losses

	2017-18 £000	Number of cases	2016-17 £000	Number of cases
Forest Fires	25	4	5	5
Fraud / Theft / Vandalism	1	5	2	7
Total	26	9	7	12

23. Losses and Special Payments (cont.)

Special Payments

There were no special payments paid in 2017-18 (2016-17: £NIL).

24. Related Party Transactions

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

In addition, Forest Service has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with Northern Ireland departments, their executive agencies and arms-length bodies.

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

25. Third Party Assets

Forest Service has no third-party assets as at 31 March 2018.

26. Events after the Reporting Period

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

27. Date of authorisation for issue

The Accounting Officer authorised these financial statements for issue on 13 June 2018.

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