



# ANNUAL REPORT

## 2016 - 2017



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

[www.daera-ni.gov.uk](http://www.daera-ni.gov.uk)

**Forest Service Agency  
Annual Report and Accounts  
for the year ended 31 March 2017**

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

*on*

*06 July 2017*

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*Annual Report  
for the year 1 April 2016 – 31 March 2017*

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New planting at Feeny, County Londonderry

# Performance Report

## OVERVIEW

### 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 2017. This report 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 five of the six key Targets set by the Minister and fourteen of the eighteen supporting targets.

We are continuing to promote forest expansion. During the year we published a report prepared for us by Forest Research, an Agency of the Forestry Commission, on the role of forests in flood mitigation. This used existing datasets to provide an overview of the scope for new planting and we will follow this by more detailed catchment studies in future years. We also provided grant aid for 200 ha of new forest planting under the Rural Development Programme 2014-2020.

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. By the year end we were pleased to conclude an agreement with Ulster Wildlife to encourage red squirrel conservation on our land.

We are also keen to promote the use of some of our forests for renewable energy generation. Although we did not meet our target of concluding an Outline Business Plan we made very significant progress by year end with our partners in the Strategic Investment Board to test market reaction to our plans. This work will continue into 2017/18.

We continue to work very hard to keep serious plant and tree diseases at bay. Unfortunately, but not unexpectedly, we saw the disease affecting ash trees spread from young plantations into hedgerows during the year and, although reports from GB suggest that native trees may show greater disease resistance than had been supposed according to European experience, it is still likely that the disease will spread to most areas within a few years. We will continue to monitor the progress of the disease.

By the year end and in partnership with AFBI we published a Northern Ireland plant health risk register, identifying the known plant pests and diseases that are most likely to cause us problems. This will inform our work in future years as we develop contingency arrangements against these diseases appearing and will help us engage stakeholders about improving bio-security arrangements.

We have been able to absorb some of the costs of delivering a plant health service while keeping our net operating position within parameters. However there is limited scope to do more. We will explore the scope to make fundamental changes in the way that we do business so that we can continue to supply affordable forestry and plant health services.

A handwritten signature in black ink that reads "Malcolm Beatty".

**Malcolm Beatty**  
**Chief Executive**  
**9 June 2017**

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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.

#### 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 the Minister's 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, aid scheme rules and seed certification schemes that are monitored and enforced through official inspection programmes.
- 4) To protect the productive capacity of agriculture and forestry lands by monitoring the impact of plant health 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 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 restock forests;
  - Promote public access for recreation, by maintaining and improving facilities and visitor services, through partnership arrangements with other public authorities, commercial

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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 2016-17**

Forest Service shares the vision and strategic outcomes of the new Department of Agriculture, Environment and Rural Affairs [DAERA]:

#### 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, health 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 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 the Ministers' priorities Forest Service aims to operate within a net funding position by managing costs and maximising income.

### **Business Priorities for 2016-17**

Within the context of implementing our strategic aims, we agreed a number of business priorities for the 2016-17 business year. These include:

- 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 2016-17 Business Plan set out the actions, key and supporting targets, or milestones to address these priorities.

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### **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 Agencies 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 2016/17 Business Plan the following key risks remained on the register at 31 March 2017:

1. Inadequate reserve of growing trees to sustain a Northern Ireland wood using industry and public access to forests.
2. Failure to promote sustainable forestry.
3. Failure to obtain income and/or increasing cost base.
4. Failure to develop forests for renewable energy and community benefits.
5. Failure to provide duty of care to Forest Service staff and visitors to our forests.
6. Reputational harm from failure to develop and deliver services that meet public expectation.
7. Failure in governance, accountability or information security.
8. Inadequate knowledge base to inform forestry development and inspection programmes.
9. Plant Disease Outbreak – Failure to prevent the introduction and establishment of organism's harmful to plant health and of significance to industry and the environment.

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### 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 2016/17
<b>DAERA Strategic Outcome:</b> <b>A well led, high performing organisation focussed on outcomes</b>	
<b>FS Outcome:</b> Higher Income from use of Forestry Assets and Lower Cost Services = Lower Net Cost of the Forestry Programme.	
<b>Key Target</b> Operate within a net funding target of £6m.	<b>Target Achieved</b> Operated with a cost of £5.4m.
<b>Supporting Target</b> Achieve an income of at least £9.92m from all sources.	<b>Target Achieved</b> £10.44m achieved from all sources.
<b>Supporting Target</b> Reduce the projected staff cost of the Target Operating Model by £0.1m.	<b>Target Achieved</b> Reduced projected staff cost by £1m.
<b>Supporting Target</b> Maintain the days lost per member of staff through sickness to less than 7.5 days by March 2017.	<b>Target Not Achieved</b> 8.3 days lost per member of staff due to sickness.
<b>DAERA Strategic Outcome:</b> <b>A clean, healthy environment, benefitting people, nature and the economy.</b>	
<b>FS Outcomes:</b> <ul style="list-style-type: none"><li>Access to a sustainable supply of high value Timber;</li><li>Best Wind farm sites brought to the market.</li></ul>	
<b>Key Target</b> Supply at least 400,000m <sup>3</sup> of timber annually to industry.	<b>Target Achieved</b> 414,617 m <sup>3</sup> achieved.

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<b>Key Target</b> By 31/3/2017 have 200 ha of new woodland.	<b>Target Achieved</b> 208 hectares approved for payment.
<b>Key Target</b> By 31/3/2017 have brought firm proposals to the NI Executive for wind farm development on forestry lands.	<b>Target Not Achieved</b> Forest Service and the Strategic Investment Board shall proceed to develop proposals.
<b>FS Outcome</b> Reduced likelihood of a serious Plant Pest or Disease becoming established and improved knowledge of Forest condition.	
<b>Key Target</b> Identify priority Plant Health risks.	<b>Target Achieved</b>
<b>Supporting Target</b> By 31/3/2017 Publish the plant health risk register.	<b>Target Achieved</b>
<b>Supporting Target</b> By 31/12/2016 introduce Plant Health Professional registration with the Royal Society of Biology and achieve accreditation of the Plant Health Inspection Branch management team by 31/03/2017.	<b>Target Partially Achieved</b> Three Plant Health Inspection Branch staff are accredited with the Royal Society of Biology. A further 10 are in process with final outcome expected following Royal Society of Biology evaluation in April 2017.
<b>Supporting Target</b> By 31/12/2016 publish a revised generic plant health contingency plan.	<b>Target Achieved</b>
<b>Supporting Target</b> By 31/03/2017 clear legislative backlog as identified in the Plant Health policy Branch's Directive/Decisions legal work programme dated 23 Feb 2016.	<b>Target Achieved</b>
<b>Supporting Target</b> By 31/03/2017 complete policy reviews on Chalara ash dieback, Fireblight and <i>Phytophthora Ramorum</i> .	<b>Target Not Achieved</b> Policy reviews progressed but not all concluded by the year end.
<b>FS Outcome</b> State forests independently certified and working with Industry and Delivery Partners.	
<b>Key Target</b> Hold independent certification that the Forest Service management system meets the requirements of a well managed forest.	<b>Target Achieved</b>
<b>Supporting Target</b> Appoint operating partners for commercial camping and caravanning services.	<b>Target Not Achieved</b> The requirement for operator licences and planning permission had delayed this process.

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<b>Supporting Target</b> Agree KPI's with recreation delivery partners.	<b>Target Achieved</b>
<b>Supporting Target</b> Achieve a visitor satisfaction rating of at least 84%.	<b>Target Achieved</b>
<b>Supporting Target</b> Address certification Corrective Action requests.	<b>Target Achieved</b>
<b>Supporting Target</b> Agree legal agreements with environmental partners to deliver habitat restoration on forestry lands.	<b>Target Achieved</b>
<b>Supporting Target</b> Improve the biodiversity of 100 ha of ancient or long established woodland by treating invasive alien species.	<b>Target Achieved</b>
<b>Supporting Target</b> Publish a report on the role of forests in flood mitigation.	<b>Target Achieved</b>
<b>Supporting Target</b> Analyse the 2015 inventory data.	<b>Target Achieved</b>
<b>Supporting Target</b> Report on the potential for habitat restoration in forestry.	<b>Target Achieved</b>
<b>Supporting Target</b> Publish a report on the condition of FS ancient and long established woodlands.	<b>Target Achieved</b>

### Resource Accounting and Budgeting

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

#### Net Operating Cost – 2016-17

The Statement of Comprehensive Net Expenditure shows the net cost of the Agency's operations on a full resource basis. The net operating expenditure for 2016-17 was £442K (2015-16: an operating surplus of £24.564m).

The movement between 2015-16 and 2016-17 of £24.1m is mainly due to the revaluation of timber credited to the Statement of Comprehensive Net Expenditure which, while still upward, is significantly less than the prior year. Furthermore a 5% reduction in timber removals together with a fall in timber prices has resulted in reduced Timber Income of £1M. These have in part been offset against reduced Notional Costs of £715K as a result of Voluntary Exit Scheme payments incurred in the prior year together with savings made through industrial/non industrial headcount allocations of shared service expenditure.

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The reported reduction in forestry land value in 2016-17 of £14.55m 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 increase in value of timber sales at maturity rose to £9,381ha, a 3% increase on 2015-16 and accounted for the higher timber value at 31 March 2017.

A detailed explanation for the movement in the timber valuation is provided at Note 11 to the annual accounts.

### Maintain expenditure within resource limits and to approved budgets

We managed our finances within the final budget set by the Department. We were required by the Department to contain our Departmental Running Costs (DRC) to £8.73m. Through a combination of careful planning and close monitoring of DRC, expenditure was constrained to £8.478m.

Category	2016-17	
	Budget	Expenditure
	£'000	£'000
Salaries & Wages	7,870	7,717
General Admin Expenses	860	761
<b>TOTAL</b>	<b>8,730</b>	<b>8,478</b>

### Non-Current Assets

Details of the movement of non-current assets are set out in notes 7 to 11 to the accounts.

### **Payment to Suppliers**

The Agency is committed to the prompt payment of bills for goods and services received in accordance with the Confederation of British Industry's Prompt Payers Code and British Standard BS 7890 – Achieving Good Payment Performance in Commercial Transactions. Unless otherwise stated in the contract, payment is due within 30 days of the goods or services, or on presentation of a valid invoice or similar demand, whichever is later. During the year, 96.3% of bills were paid within this Standard (2015-16: 95.61%).

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, 88.89% of bills were paid within the 10 day target (2015-16: 89.22%).

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.



Banagher Forest, County Londonderry

# Performance Report

## PERFORMANCE ANALYSIS

### 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

- New plantations established [hectares]
- Afforestation grant expenditure
- Volume of timber produced for industrial processing [ $m^3$ ]
- Income from forest resources
- Forest visitor surveys
- Area of woodland qualifying for UK Forestry Standard [hectares]
- Plant health inspections, sampling, surveys and enforcement.

#### 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 2016/17 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 2016/17. We set ourselves a target for the year of 200ha of new woodland and 208ha 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 effect to a public right of pedestrian access to our forests through the 2010 Forestry Act.

Our practice to manage forests sustainably remained compliant with the UK Woodland Assurance Standard (UKWAS), confirmed through an independent audit accredited by Forest Stewardship Council® (FSC®) and the Programme for the Endorsement of Forest Certification schemes (PEFC) in March 2017.

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## PERFORMANCE ANALYSIS

We agreed key performance indicators with recreation delivery partners during the year. However, we were unable to finalise the appointment of operating partners for commercial camping and caravanning services due to the need to have operator licences and planning permission in place for all our sites before we can do so. Dialogue continues with local Councils regarding their appetite to operate caravan and camping sites on our property.

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 Forestry, and Plant and Bee Health Legislation

While there is some work remaining to conclude policy reviews on ash dieback disease, fireblight and *P. ramorum* disease of larch, substantial progress was made. The focus was necessarily on clearing the legislative backlog of work to give effect to EU and national plant health law. This was achieved.

A number of high profile retailers were found to be offering firewood for sale in March 2017 that did not meet the requirements for the import of conifer wood into Northern Ireland which is a protected zone under the Plant Health (Wood and Bark) Order (NI) 2006. Retailers were required to destroy it or re-export. This interesting case highlights the need for awareness of plant health risk across all sectors including gardeners, farmers and businesses.

### Protect the productive capacity of Agriculture and Forestry

We want to reduce the likelihood of a serious plant health pest or disease becoming established. In establishing this as the outcome we set ourselves the key target in 2016/17 to identify priority plant health risks.

A finding of Potato Spindle Tuber Viroid [PSTVd] on seed potatoes during the year was reported through the UK plant health authority to ScoPAFF [EC Standing Committee on Plants, Animals, Food and Feed] and affected member states. An Incident Management Team was established and implemented the pest specific contingency plan. Following coordinated action across the UK Plant Health Service the disease was contained.

The Northern Ireland Plant Health risk register was launched on the DAERA website at a Plant Health conference on 22nd March. It was widely shared on social media. The conference drew speakers from across the British Isles and provided a valuable networking opportunity. A video on the importance of maintaining a high plant health status was well received and was widely viewed.

A revised generic Plant Health contingency plan was completed to support the response to findings of plant pests and diseases.

Professional registration with the Royal Society of Biology for Plant Health staff was introduced during the year. Thirteen staff were accredited or are on the path to accreditation.

### Management of the Departments' Forests

A key outcome of the management and stewardship of state forests planted in the latter decades

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of the last century is to ensure access to a sustainable supply of high value timber. The key target for 2016/17 was to supply at least 400,000m<sup>3</sup> of timber to industry and this was achieved and we sold 414,617m<sup>3</sup> 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:

- Addressed certification Corrective Action Requests. A minor Correction Action Request was raised in 2016 relating to compliance with best practice. This was closed following the 2017 certification audit.
- Agreed legal arrangements with environmental partners to deliver habitat restoration on forestry lands. A licence with Ulster Wildlife was agreed permitting red squirrel protection work in our forests including surveys, community engagement, and grey squirrel control.
- Improved the biodiversity of 100 hectares of ancient or long established woodland by treating invasive alien species. Work to clear *Rhododendron* and other invasive plants was carried out on 110 hectares of woodland.
- Published a report prepared for us by Forest Research, an Agency of the Forestry Commission, on the role of forests in flood mitigation. Research suggests that woodland creation can contribute to flood alleviation and this project provides spatial data sets and maps which identify priority areas for woodland creation to benefit flood risk management.
- Analysed the 2015 forest inventory data. Statistical analysis of tree growth was completed comparing timber availability by planned fell year for different landscape units among other matters. This will evidence future strategy.
- Reported on the potential for habitat restoration in forestry. This report noted that just over 25% of forest land managed by the Forest Service is covered by European and National designations, including Special Areas of Conservation (SAC), Special Protected Areas (SPA) and Areas of Special Scientific Interest (ASSI), and including significant areas of afforested deep peat. In addition, relatively large areas of afforested deep peat occur in the catchments of Lough Melvin SAC, River Foyle and Tributaries SAC and Owenkillew SAC. This report noted the scope for habitat restoration and will inform strategy to establish the context and justification for restoration in terms of the general duty to promote afforestation and sustainable forestry.

### Wind Energy

The Agency continued to develop plans to release land from forestry for renewable energy generation where this is consistent with our sustainable development obligations. Since the strategic case was made in 2014, there have been important changes to renewable energy process and policy. Considerable further work, including market sounding was undertaken to establish that despite these changes, the strategic basis to proceed remains valid. The options for how wind farms can be developed on Forest Service lands and the routes to market imply large investments across many NICS departments and private sector partners. We had aimed to bring firm proposals to the Executive by the end of 2016/17 however this work will be carried forward into the next year.

### Income and Cost Control

A large part of our operational costs are staff salaries and wages and, like all public sector bodies,

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## PERFORMANCE ANALYSIS

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 2017 we exceeded our stated target to achieve an income of at least £9.92m from all sources. This income was generated mostly from timber sales but also included income from forest recreation services, and rentals. It totalled £10.44m.

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 £7.7m. 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 2017/18 as we recruit up to the headcount limits approved by the Department.

We achieved the specific in-year key target to operate within a net funding position of £6m and the outturn was £5.4m.

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 to 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 8.3.

## Sustainability

Sustainability continued to be an underpinning principle of the Executive's Programme for Government. Forest Service contributes to the DAERA Strategic Outcome of 'Sustainable agri-food, fisheries, forestry and industrial sectors'. Key actions in 2016-17 included:

- Seeking to maintain high Plant Health status to protect our Agricultural, Horticultural and Forest industries as well as the wider environment, by our action in tackling the fungal pathogen causing ash dieback disease and the fungus-like pathogen affecting Japanese larch and other common tree and shrub species.
- The Minister launched a second phase of the Forest Expansion Scheme under the 2014-2020 Rural Development Programme and this resulted in 37 applications for the creation of new woodlands of five hectares or greater.
- Forest Service approved grant payments for 208 hectares of new woodland, delivering a wide range of ecosystem services to people. Sustainable management of privately owned woodlands was supported by grant aiding 62 hectares of replanting to improve woodland resilience following harvesting and 3 hectares were replanted to replace losses from tree disease.
- Prolonged and heavy rainfall in late 2015 resulted in flooding in parts of Northern Ireland and research indicates that woodland creation can contribute to flood alleviation. A project commissioned by Forest Service and prepared by Forest Research provided spatial data sets and maps which identify priority areas for woodland creation to benefit flood risk management. This woodland ecosystem service will be incorporated as one criterion for assessment of Forest Expansion Scheme applications in 2017.
- Forest Service obtained an income of £10.44 million from forest resources, mostly arising from the sale of timber certified as coming from Forest Service's sustainably managed forests.

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## PERFORMANCE ANALYSIS

### Forestry Performance Tables

The following tables provide statistical data on forestry performance during 2016/17:

#### Forest Service Statistical Summary 2015 / 2016

Table 1

	Units	2015/16	2016/17
Total area managed	Hectares	75,234	75,224
Forested area	Hectares	62,137	62,194
Acquisition Programme	Hectares	-	-
Disposal Programme	Hectares	-	-
Timber Production			
- roadside	Cubic metres	52,584	43,339
- standing		356,849	344,939
New Planting	Hectares	-	-
Replanting	Hectares	728	1250
Fire Damage	Hectares	6.63	9
Visitors to charged recreation areas	Thousands	432	584
Visitors to caravan / camping long stay sites (nights)	Thousands	50	87
Average staff numbers:			
- industrial	Full time equivalent persons	108	100
- non-industrial		115	105

Table 2

#### Record of Harvesting: April 2016 – March 2017

District	Standing Volume (m <sup>3</sup> )	Roadside Volume (m <sup>3</sup> )	Total
East	95,683	34,105	<b>129,788</b>
West	249,256	9,234	<b>258,490</b>
<b>TOTAL</b>	<b>344,939</b>	<b>43,339</b>	<b>388,278</b>

Note: All figures represent volume dispatched from forests.

# Performance Report

## PERFORMANCE ANALYSIS

Table 3

**Breakdown of Sales: Agreed for April 2016 - March 2017**  
Volumes to 7cm top diameter to nearest cubic metre, areas in hectares

DISTRICT	VOLUME by SPECIES			THINNINGS			CLEARFELL			MISC. FELLING	TOTAL VOLUME
	Spruce	Other Conifers	Hard-woods	Area	Volume	Vol. Per hectare	Area	Volume	Vol. Per hectare		
<b>STANDING SALES</b>											
EAST	78,884	13,670	35	13	1,114	86	233	91,475	393	-	<b>92,589</b>
WEST	259,354	20,586	-	103	9,028	88	570	270,912	475	-	<b>279,940</b>
<b>TOTAL</b>	<b>338,238</b>	<b>34,256</b>	<b>35</b>	<b>116</b>	<b>10,142</b>	<b>87</b>	<b>803</b>	<b>362,387</b>	<b>451</b>	-	<b>372,529</b>
<b>ROADSIDE SALES</b>											
EAST	14,651	16,875	1,400	222	18,220	82	41	13,377	326	1,329	<b>32,926</b>
WEST	6,965	1,572	625	155	8,271	53	1	576	576	315	<b>9,162</b>
<b>TOTAL</b>	<b>21,616</b>	<b>18,447</b>	<b>2,025</b>	<b>377</b>	<b>26,491</b>	<b>70</b>	<b>42</b>	<b>13,953</b>	<b>332</b>	<b>1,644</b>	<b>42,088</b>
<b>ALL SALES</b>											
<b>GRAND TOTAL</b>	<b>359,854</b>	<b>52,703</b>	<b>2,060</b>	<b>493</b>	<b>36,633</b>	<b>74</b>	<b>845</b>	<b>376,340</b>	<b>445</b>	<b>1,644</b>	<b>414,617</b>

# Performance Report

## PERFORMANCE ANALYSIS

Table 4

### Average Prices for Coniferous Timber Sold at Roadside

Average Volumes Per Tree in m³ over bark	(a) 1 April 2016 to 31 March 2017			
	(b) 1 April 2015 to 31 March 2016	Volume m³	Total Price (Exc VAT) £	Average Price £/m³
<b>Less than 0.075</b>	(a) 0 (b) 0		0 0	- -
<b>0.075 - 0.124</b>	(a) 2117 (b) 2557		45,238 62,248	21.37 24.34
<b>0.125 - 0.174</b>	(a) 3392 (b) 2997		92,236 83,646	27.19 27.91
<b>0.175 - 0.224</b>	(a) 2788 (b) 11828		68,527 391,409	24.58 33.09
<b>0.225 - 0.274</b>	(a) 1114 (b) 0		31,153 0	27.96 -
<b>0.275 - 0.424</b>	(a) 6243 (b) 5746		179,413 197,742	28.74 34.41
<b>0.425 - 0.499</b>	(a) 1773 (b) 20090		56,743 587,457	32.00 29.24
<b>0.500 - 0.599</b>	(a) 12923 (b) 3375		278,825 112,209	21.58 33.25
<b>0.600 - 0.699</b>	(a) 0 (b) 2225		0 76,331	- 34.31
<b>0.700 - 0.799</b>	(a) 510 (b) 0		16,681 0	32.71 -
<b>0.800 - 0.899</b>	(a) 0 (b) 0		0 0	- -
<b>0.900 - 0.999</b>	(a) 0 (b) 0		0 0	- -
<b>1.000 and over</b>	(a) 8495 (b) 2279		315,569 79,415	37.15 34.85
<b>TOTAL</b>	(a) 39355 (b) 51097		1,084,385 1,590,457	27.55 31.13

# Performance Report

## PERFORMANCE ANALYSIS

Table 5

### Average Prices for Coniferous Timber Sold at Standing

Average Volumes Per Tree in m <sup>3</sup> over bark	(a) 1 April 2016 to 31 March 2017		
	(b) 1 April 2015 to 31 March 2016		
	Volume m <sup>3</sup>	Total Price (Exc VAT) £	Average Price £/m <sup>3</sup>
Less than 0.075	(a) 0	0	-
	(b) 0	0	-
0.075 - 0.124	(a) 0	0	-
	(b) 3265	33,848	10.37
0.125 - 0.174	(a) 4625	54,015	11.68
	(b) 4314	67,773	15.71
0.175 - 0.224	(a) 5462	71,683	13.12
	(b) 5261	89,457	17.00
0.225 - 0.274	(a) 7683	109,779	14.29
	(b) 10986	201,573	18.35
0.275 - 0.424	(a) 91454	1,735,084	18.97
	(b) 87126	1,910,252	21.93
0.425 - 0.499	(a) 88975	1,939,446	21.80
	(b) 74930	1,846,356	24.64
0.500 - 0.599	(a) 93588	2,181,032	23.30
	(b) 63781	1,598,919	25.07
0.600 - 0.699	(a) 31039	821,750	26.47
	(b) 47896	1,307,409	27.30
0.700 - 0.799	(a) 16320	427,428	26.19
	(b) 24544	690,621	28.14
0.800 - 0.899	(a) 439	10,747	24.48
	(b) 13076	367,037	28.07
0.900 - 0.999	(a) 15161	400,596	26.42
	(b) 7591	173,718	22.88
1.000 and over	(a) 8957	239,802	26.77
	(b) 12328	354,836	28.78
TOTAL	(a) 363703	7,991,362	21.97
	(b) 355098	8,641,799	24.34

# 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 (NEBM's).

At 31 March 2017 the Board members were:

<b>Malcolm Beatty</b>	(Chief Executive)
<b>Kevin Hegarty</b>	(NEBM, Strategic Investment Board (SIB))
<b>Helen Anderson</b>	(NEBM, NI Environment Agency (NIEA))
<b>John Joe O'Boyle</b>	(Forestry)
<b>Jim Crummie</b>	(Plant Health)
<b>Marcus McAuley</b>	(Corporate Services)

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 2017 have been prepared in accordance with the Accounts Direction (FD(DoF) 03/17) and DAO(DoF) 01/17 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 2016-17 resulted in a notional audit fee of £13,250 (2015-16: £13,250) and is included in Programme Costs – 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. Detailed advice on the type of information, which is considered to be personal data and how it should be handled, is available from the Department's Information Management Branch (IMB) and via the Branch's Intranet site. Forest Service staff have been advised that it is their personal responsibility to ensure that any document with sensitive information, including personal data, is appropriately secured and to ensure that, in the case of data held electronically, appropriate access controls are put in place to prevent unauthorised access, whether deliberate or accidental, by others. All staff received a personal copy of a guide to information security "Think Security! – Information Security Standards for All".

### **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 consultation and exchange of information within the Agency. This is brought about through team briefings, circulars and our Intranet. There are also well-established arrangements for formal consultation with representatives of the trade unions (both non-industrial and industrial) on all significant developments likely to impact on staff. We consult regularly with representatives of the industrial workforce at the Joint Industrial Council. We also meet regularly with 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](http://www.nidirect.gov.uk/forests)

Other Forest Service business information is accessible at:

[www.daera-ni.gov.uk/topics/forestry](http://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;
- 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

# Accountability Report

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

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.

# 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, 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.

#### Forest Service Management Board (FSMB)

I am supported by a Management Board. During 2016-17, the Board comprised of the Forest Service 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 meets six times per year. Board members are required at the beginning of each Board meeting to declare any conflicts of interest or any new interests. During the 2016-17 period no declared interests were deemed to conflict with the conduct of Board business.

A total of 6 Forest Service Management Board meetings were held in 2016-17. Attendance details of members are summarised in the following table:

Name	Number of the 6 meetings attended
Malcolm Beatty	6
John Joe O'Boyle	6
Jim Crummie	6
Marcus McAuley	6
Kevin Hegarty (Non Executive Director)	6
Helen Anderson (Non Executive Director)	4

# Accountability Report

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

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

### **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 2016-17 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).

FSARAC met on 4 occasions in 2016-17, 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
Lisa-Jane McIlveen	4
Helen Anderson	3

### **Key findings of FSARAC in 2016-17**

The Committee noted:

- The Comptroller and Auditor General (C&AG) certified the 2015-16 financial statements with an unqualified audit opinion without modification. No report on the account was required. No audit recommendations for management were made and no other issues raised;
- The volatility of the timber valuation model and the risk to the Agency and Department in the years ahead;
- The risks associated with a Plant Disease outbreak, in particular, the risk of the spread of Chalara (ash dieback) to the wider countryside;

# Accountability Report

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

- Forest Service embracing governance with the establishment of 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; and
- The successful implementation of previous Internal Audit recommendations by management and the closing of audit recommendations by Internal Audit following follow up reviews.

### **Governance Committee**

I chair this Committee of Executive Directors who periodically require 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 is currently chaired by my Forestry Director. 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 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, my handling of Board processes, and the performance of fellow directors. We shall review processes for monitoring performance against our business plan and look at the scope and remit of the Governance Committee to ensure continuous improvement in Board and Agency performance.

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.

# Accountability Report

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

### **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 have acknowledged their responsibility for developing and maintaining effective internal controls to provide reasonable assurance of achievement of these objectives. They have also provided me with specific details of actions taken in various areas of control.

I, in turn, have supplied the DAERA Accounting Officer with an Agency level Stewardship Report which reports on the governance arrangements I have 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 relies 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.

### **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.

# Accountability Report

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

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 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 who 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 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 Departments 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,

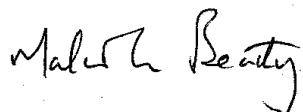
# Accountability Report

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

and guidance from the DAERA Board. It is deemed adequate to have two NEBM's to support the Executive members on the Agency Management Board. One of the NEBM's is a member of the NICS Senior Civil Service Group (SCSG) and is thereby linked to management processes at that level.

- My Director of Corporate Services is responsible for finance, human resources, communications, and governance and accountability processes generally. This member supervises a professionally qualified accountant and draws on that post holder in bringing accountancy expertise to the Board. Further, I am professionally qualified in this field.

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



**Malcolm Beatty**  
**Chief Executive**  
**9 June 2017**

# Accountability Report

## REMUNERATION & STAFF

### Remuneration Report

#### Remuneration Policy

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The 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.

#### 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](http://www.nicscommissioners.org).

#### Salary and pension entitlements

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

#### Remuneration (including salary) and pension entitlements [Audited]

#### Officials

	2016-17					2015-16				
	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	*Pension benefits (to nearest £1,000)	Total £'000	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	*Pension benefits (to nearest £1,000)	Total £'000
Mr M Beatty (Chief Executive)	75-80	0	0	29,000	105-110	70-75	0	0	31,000	105-110
Mr JJ O'Boyle (Director of Forestry)	60-65	0	0	11,000	70-75	60-65	0	0	11,000	70-75
Mr J Crummie (Director of Plant Health)	55-60	0	0	46,000	100- 105	50-55	0	0	40,000	90-95
Mr M McAuley (Head of Corporate Services)	50-55	0	0	11,000	60-65	50-55	0	0	9,000	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.*

# Accountability Report

## REMUNERATION & STAFF

### Salary

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

### Benefits in kind

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

### Bonuses

Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2016-17 relate to performance in 2016-17 and the comparative bonuses reported for 2015-16 relate to the performance in 2015-16.

### Pay multiples

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

The banded remuneration of the highest paid director in Forest Service in the financial year 2016-17 was £75-80k (2015-16: £70-75k). This was 3.01 times (2015-16: 2.97 times) the median remuneration of the workforce, which was £25,719 (2015-16: £24,413).

	2016-17		2015-16
Band of highest paid Directors total remuneration	£75-80k	Band of highest paid Directors total remuneration	£70-75k
Median total remuneration	£25,719	Median total remuneration	£24,413
Ratio	3.01	Ratio	2.97

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

	<b>Accrued pension at pension age as at 31/3/17 and related lump sum £'000</b>	<b>Real increase in pension and related lump sum at pension age £'000</b>	<b>CETV at 31/3/17 £'000</b>	<b>* CETV at 31/3/16 £'000</b>	<b>Real increase in CETV £'000</b>	<b>Employer contribution to partnership pension account nearest £100</b>
Mr M Beatty <i>(Chief Executive)</i>	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 5.0-7.5	805	779	27	0
Mr JJ O'Boyle <i>(Director of Forestry)</i>	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 0-2.5	632	594	10	0
Mr J Crummie <i>(Director of Plant Health)</i>	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 5.0-7.5	523	448	46	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	446	416	8	0

#### Northern Ireland Civil Service (NICS) Pension arrangements

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

A new pension scheme, alpha, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will not move

# Accountability Report

## REMUNERATION & STAFF

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 also 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 will be 2.32%. CARE pension benefits are increased annually in line with increases in the CPI.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Increases are applied from April and are determined by the CPI figure for the preceding September. The CPI in September 2016 was 1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2017.

Employee contribution rates for all members for the period covering 1 April 2017 – 31 March 2018 are as follows:

### Scheme Year 1 April 2017 to 31 March 2018

Annualised Rate of Pensionable Earnings <b>(Salary Bands)</b>		<b>Contribution rates –</b> Classic members or classic members who have moved to alpha	<b>Contribution rates – All other members</b>
<b>From</b>	<b>To</b>	<b>From 01 April 2017 to 31 March 2018</b>	<b>From 01 April 2017 to 31 March 2018</b>
£0	£15,000.99	4.6%	4.6%
£15,001.00	£21,422.99	4.6%	4.6%
£21,423.00	£51,005.99	5.45%	5.45%
£51,006.00	£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 14.7% (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 pension age, or immediately on ceasing to be an active member of the scheme if they are at or

# Accountability Report

## REMUNERATION & STAFF

over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. The normal 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 arrangements can be found at the website: [www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni](http://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni).

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the 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 2008 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

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

### **Compensation for loss of office**

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

# Accountability Report

## REMUNERATION & STAFF

### Staff Report

#### No. of SCS staff by band

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

#### Staff numbers and costs

Forest Service had an average of 105 non-industrial staff (FTE) and 100 industrial staff (FTE) during 2016-17, a total workforce of 205 full time equivalents (FTEs).

As at 31 March 2017 the workforce stands at 106 non-industrial staff (102.53 FTE) and 109 industrial staff (101.79 FTE).

The costs for 2016/17, which are detailed in Note 4 to the annual accounts, are shown below:

	2016-17	2015-16
	£000	£000
Wages and Salaries	5,932	6,267
Social Security Costs	582	455
Other Pension Costs	1,203	1,262
<b>Total net costs</b>	<b>7,717</b>	<b>7,984</b>
Of which:		
<b>Charged to Administration</b>	<b>Nil</b>	<b>Nil</b>
<b>Charged to Programme</b>	<b>7,717</b>	<b>7984</b>

#### Exit packages – summary data

There were no exit packages during 2016-17.

#### Staff composition (Male and Female – Directors, SCS, 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 215 current members of staff, 35 are female (28 non-industrial and 7 industrial).

#### 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.

# Accountability Report

## REMUNERATION & STAFF

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 retained the services of external consultants to advise on specialist aspects of our wind energy development programme.

### **Off-payroll engagements**

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

*Malcolm Beatty.*

**Malcolm Beatty  
Chief Executive  
9 June 2017**

# Accountability Report

## ASSEMBLY ACCOUNTABILITY & AUDIT REPORT

### Regularity of Expenditure

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.

### Fees and Charges

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 recreation; both commercial and non-commercial (refer to Note 3 of the annual accounts). 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.

### Remote Contingent Liabilities

The Agency has no remote contingent liabilities as at 31 March 2017.

### 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 2017-18 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.

# 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

I certify that I have audited the financial statements of the Forest Service Agency for the year ended 31 March 2017 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 Remuneration and Staff Report and the Assembly Accountability and Audit Report that is described in that report as having been audited.

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

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

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

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

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

#### **Opinion on regularity**

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

# Accountability Report

## ASSEMBLY ACCOUNTABILITY & AUDIT REPORT

### Opinion on financial statements

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 2017 and of the net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

### Opinion on other matters

In my opinion:

- the parts of the Remuneration Report and Staff Report and the Assembly Accountability disclosures (Regularity of Expenditure, Fees and Charges, Remote Contingent Liabilities and Long Term Expenditure Trends) 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
- 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.

### 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 Remuneration Report and Staff Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance'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 2017



*Community planting, County Armagh*

# Accounts

## STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
<b>Operating Income</b>			
EU Income	2	(841)	(567)
Operating Income	2	(10,601)	(11,289)
<b>Total Operating Income</b>		<b>(11,442)</b>	<b>(11,856)</b>
<b>Operating Expenditure</b>			
Staff Costs	4.1	7,717	7,984
Grants	5	1,470	1,009
Other Operating Expenditure	5	5,142	5,341
Non-Cash Items	5	2,667	3,554
Revaluation	5	(5,112)	(30,596)
<b>Operating Expenditure</b>		<b>11,884</b>	<b>(12,708)</b>
<b>Net Operating Expenditure / (Surplus)</b>		<b>442</b>	<b>(24,564)</b>

All income and expenditure is derived from continuing operations.

### Other Comprehensive Net Expenditure

Net (gain) / loss on revaluation of Property, Plant & Equipment	8.1	13,679	24,027
Net (gain) / loss on revaluation of Intangibles	9.1	(2)	-
<b>Comprehensive Net Expenditure / (Surplus) for the year ended 31 March 2017</b>		<b>14,119</b>	<b>(537)</b>

The notes on pages 48 to 67 form part of these accounts.

# Accounts

## STATEMENT OF FINANCIAL POSITION as at 31 March 2017

	Note	2017 £000	2016 £000
<b>Non-current assets:</b>			
Heritage assets	7	1,167	1,167
Property, plant and equipment	8	120,827	137,158
Intangible assets	9	606	526
Biological assets	11	187,885	180,052
<b>Total non-current assets</b>		<b>310,485</b>	<b>318,903</b>
<b>Current assets:</b>			
Assets classified as held for sale	12	1,169	1,500
Inventories	15	46	52
Trade and other receivables	16	2,235	2,248
Cash and cash equivalents	17	4	3
<b>Total current assets</b>		<b>3,454</b>	<b>3,803</b>
<b>Total assets</b>		<b>313,939</b>	<b>322,706</b>
<b>Current liabilities</b>			
Trade and other payables	18	(1,927)	(2,742)
Provisions	19	(380)	(597)
<b>Total current liabilities</b>		<b>(2,307)</b>	<b>(3,339)</b>
<b>Total assets less current liabilities</b>		<b>311,632</b>	<b>319,367</b>
<b>Non-current liabilities</b>			
Provisions	19	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total assets less liabilities</b>		<b>311,632</b>	<b>319,367</b>
<b>Taxpayers' equity and other reserves:</b>			
General fund		250,634	244,302
Revaluation reserve		60,998	75,065
<b>Total equity</b>		<b>311,632</b>	<b>319,367</b>

*Malcolm Beatty.*

**Malcolm Beatty**  
Accounting Officer  
9th June 2017

The notes on pages 48 to 67 form part of these accounts.

# Accounts

## STATEMENT OF CASH FLOWS for the year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
<b>Cash flows from operating activities</b>			
Net operating cost		(442)	24,564
Adjustments for non-cash transactions	5	(2,475)	(27,042)
(Increase) / Decrease in trade and other receivables	16	13	(529)
(Increase) / Decrease in Inventories	15	6	46
Increase / (Decrease) in trade and other payables	18	(815)	(440)
Use of provisions	19	-	-
Bad debts written off	5	-	-
Bad debt provisions (provided for) / released in year	5	-	(3)
<b>Net cash outflow from operating activities</b>		<b>(3,713)</b>	<b>(3,404)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(1,011)	(2,131)
Purchase of intangible assets	9	(75)	(12)
Proceeds of disposal of property, plant and equipment	5,8	30	82
<b>Net cash outflow from investing activities</b>		<b>(1,056)</b>	<b>(2,061)</b>
<b>Cash flows from financing activities</b>			
Funding from parent department		4,770	5,465
<b>Net financing</b>		<b>4,770</b>	<b>5,465</b>
<b>Net increase / (decrease) in cash and cash equivalents in the period</b>			
<b>Cash and cash equivalents at the beginning of the period</b>	17	<b>1</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	17	<b>3</b>	<b>3</b>

The notes on pages 48 to 67 form part of these accounts.

# Accounts

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY for the year ended 31 March 2017

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers Equity £000
<b>Taxpayers' equity at 31 March 2015</b>		211,472	99,562	311,034
Changes in Accounting Policy		-	-	-
<b>Balance at 1 April 2015</b>		<b>211,472</b>	<b>99,562</b>	<b>311,034</b>
Net Assembly Funding - drawn down from DAERA		5,465	-	5,465
CFERS payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the Year -				
Net surplus / (deficit)		24,564	-	24,564
Non-Cash Adjustments	8.2, 9.2	-	(24,027)	(24,027)
Non-cash charges - other notional costs	6	2,318	-	2,318
Non-cash charges - auditor's remuneration	6	13	-	13
Transfers between reserves		470	(470)	-
Transfer of assets at no consideration		-	-	-
<b>Balance at 31 March 2016</b>		<b>244,302</b>	<b>75,065</b>	<b>319,367</b>
Net Assembly Funding - drawn down from DAERA		4,770	-	4,770
CFERS payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the Year -				
Net surplus / (deficit)		(442)	-	(442)
Non-Cash Adjustments	8.1, 9.1	-	(13,679)	(13,679)
Non-cash charges - other notional costs	6	1,603	-	1,603
Non-cash charges - auditor's remuneration	6	13	-	13
Transfers between reserves		388	(388)	-
Transfers of assets at no consideration		-	-	-
<b>Balance at 31 March 2017</b>		<b>250,634</b>	<b>60,998</b>	<b>311,632</b>

The notes on pages 48 to 67 form part of these accounts.

# Accounts

## Notes to the Agency's Accounts

### 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2016-17 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 (formerly known as DARD), the grouping of computer equipment in respect of items falling below this threshold has also been undertaken.

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

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

##### *Valuation*

Buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Professional revaluations of buildings are undertaken every five years, with the valuations used in these accounts provided by Land and Property Services (LPS) as at 1 April 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).

# Accounts

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

For property occupied, but not owned 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 live. The useful lives, which are reviewed regularly, are:

Information Technology	3 to 7 years
Plant and Machinery	4 to 15 years
Roads	10 years
Buildings	50 years

Land at Baronscourt is being handed back to its owner in stages up to the year 2024, 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 turbary 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.

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## **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, infra-structure to facilitate harvesting access and costs to market the timber. Forest Service has determined that the appropriate interest rate is 5%.

All income and costs are annualised over the previous five years using the Gross Domestic Product (GDP) Inflator 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

# Accounts

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 (see note 23 to the accounts).

## 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 2016-17 (2015-16: 0 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

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

## 1-13 Employee Benefits including Pension Costs

### **Pensions**

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

### **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.

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## 1-17 Financial Instruments

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

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

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

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

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

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

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

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

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

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

## 1-18 Related Party Transactions

The Forest Service is an executive agency of the Department of Agriculture, 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

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departments and other central government bodies. Most of these transactions have been with Northern Ireland departments, their executive agencies and arms length bodies.

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 2017**

The Agency has reviewed the standards, interpretations and amendments to published standards that became effective during 2016-17 and which are relevant to its operations. The Agency anticipates that the adoption of these standards will have no material impact on the Forest Service's financial position or results of operations.

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

Accounting boundary IFRS' are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by 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 Standards.

## **1-22 Impending application of newly issued accounting standards not yet effective**

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

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## 2 INCOME

	2016-17 £000	2015-16 £000
<b>Grant income:</b>		
EU Income	<b>841</b>	<b>567</b>
<b>Operating Income:</b>		
Timber Sales	8,937	9,904
Other Forest Products	42	52
Recreation	1,027	893
Rentals	466	355
Other Activities	129	85
	<b>10,601</b>	<b>11,289</b>
	<b>11,442</b>	<b>11,856</b>

## 3 BUSINESS ACTIVITIES ATTRACTING FEES AND CHARGES

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

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

Non-Commercial Recreation refers to visits to all of our forests. Entrance charges are only levied for 8 Forest Parks.

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

Plant Health Inspection Branch of the Forest Service Plant Health Directorate charge fees for Potato Growing Crop and Tuber Inspections. These relate to costs for inspections carried out under the Seed Potato Certification Scheme.

	2016-17			2015-16		
	Income £000	Cost £000	Surplus / (Deficit) £000	Income £000	Cost £000	Surplus / (Deficit) £000
Commercial Recreation	468	448	20	446	441	5
Non-Commercial Recreation	556	1,347	(791)	447	1,645	(1,198)
Potato Growing Crop and Tuber Inspections	17	41	(24)	-	-	-
<b>Total</b>	<b>1,040</b>	<b>1,836</b>	<b>(795)</b>	<b>893</b>	<b>2,086</b>	<b>(1,193)</b>

# Accounts

## 4 STAFF NUMBERS AND RELATED COSTS

### 4.1 Staff Costs comprise:

	<b>Permanently employed staff</b>	<b>Others</b>	<b>2016-17 £000</b>	<b>2015-16 £000</b>
			<b>Total</b>	<b>Total</b>
Wages and Salaries	5,804	128	5,932	6,267
Social Security Costs	566	16	582	455
Other Pension Costs	1,187	16	1,203	1,262
<b>Total net costs</b>	<b>7,557</b>	<b>160</b>	<b>7,717</b>	<b>7,984</b>

The Northern Ireland Civil Service Pension (NICSP) arrangements are unfunded multi-employer defined benefit schemes. Whilst the scheme is defined benefit it has been accounted for as a defined contribution scheme because it has not been possible to separate the Agency's share of the assets and liabilities from the multi-employer NICSP scheme. 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 Resource Accounts as at 31 March 2017.

For 2016-17, employers' contributions of £1,203,414 were payable to the NICS Pension Arrangements (2015-16: £1,242,611) 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 2017-18, the rates will range from 20.8% to 26.3%. 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 (2015-16: £nil) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2015-16: 3% to 14.7%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £nil, 0.5% (2015-16: £nil, 0.5%) of pensionable pay, were payable to the NICS Pension Arrangements 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.

No members of staff (2015-16: zero individuals) retired early on ill-health grounds; the total additional accrued liabilities in the year amounted to £NIL (2015-16: £0).

### 4.2 Average Number of Persons Employed

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

	<b>Permanently employed staff</b>	<b>Others</b>	<b>2016-17 £000</b>	<b>2015-16 £000</b>
			<b>Total</b>	<b>Total</b>
Industrial	100.00	-	100.00	107.89
Non Industrial	105.00	2.05	107.05	114.60
<b>Total</b>	<b>205.00</b>	<b>2.05</b>	<b>207.05</b>	<b>222.49</b>

# Accounts

## 5 PROGRAMME COSTS

	Note	2016-17 £000	2015-16 £000
<b>Grant Payments</b>			
Paid to applicants	National element	629	442
	EU element	841	567
		<b>1,470</b>	<b>1,009</b>
<b>Other Expenditure</b>			
Rentals under operating leases		100	48
Staff related costs		395	416
Accommodation costs		242	268
Office Services		124	145
Contracted out services		1,847	2,186
Professional costs		128	202
Consultancy costs		80	-
Other costs		1,825	2,064
Non-capital purchases		401	12
		<b>5,142</b>	<b>5,341</b>
<b>Non-cash items:</b>			
Depreciation	8	1,255	1,283
Amortisation	9	13	6
Loss/(Profit) on disposal of non-current assets		-	(64)
Liability provisions provided for / (released in year) in year	19	(217)	(5)
Bad debts written off		-	-
Bad debts provided for / (released in year)		-	3
Notional charges	6	1,616	2,331
		<b>2,667</b>	<b>3,554</b>
<b>Other non-cash items:</b>			
Revaluation - Timber	11	(7,501)	(32,790)
Revaluation - Other assets	8	2,389	2,194
		<b>(5,112)</b>	<b>(30,596)</b>
<b>Total Programme Costs</b>		<b>4,167</b>	<b>(20,692)</b>

### Grant Payments

The total of grant payments for 2016-17 included £2,636 paid to public bodies (2015-16: £NIL). Payments to private sector recipients for 2016-17 totalled £1,452,484 (2015-16: £1,008,750).

### Growing Timber Revaluation

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

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## 6 NOTIONAL COSTS

	<b>2016-17 £000</b>	<b>2015-16 £000</b>
Services provided by parent department:		
Central Support	966	985
Voluntary Exit Scheme (VES) Payments	-	507
Compensation Claims	-	-
	<b>966</b>	<b>1,492</b>
Services Provided by other Departments:		
DFP Accommodation charges	148	150
Business Development Service	3	6
Departmental Solicitors' Office	5	7
Account NI	107	233
IT Assist	371	430
Auditor's remuneration and expenses	13	14
VLA Valuation fees	3	-
	<b>650</b>	<b>839</b>
<b>Total Notional Costs</b>	<b>1,616</b>	<b>2,331</b>

### **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.

In 2015-16 the Department paid all the compensation payments associated with the voluntary exit scheme, on behalf of the Agency, they have been disclosed as notional costs within the 2015-16 accounts.

## 7.0 HERITAGE ASSETS

### 7.1 2016-17

<b>Cost or Valuation</b>	<b>Heritage Assets £000</b>
At 1 April 2016	1,167
Additions	-
Disposals	-
Reclassifications	-
Revaluations	-
Impairments	-
Indexation	-
<b>At 31 March 2017</b>	<b>1,167</b>
<b>Carrying amount at 31 March 2017</b>	<b>1,167</b>
<b>Carrying amount at 31 March 2016</b>	<b>1,167</b>

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.

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## 7.2 2015-16

	<b>Heritage Assets</b> £000
<b>Cost or Valuation</b>	
At 1 April 2015	1,167
Additions	-
Disposals	-
Reclassifications	-
Revaluations	-
Impairments	-
Indexation	-
<b>At 31 March 2016</b>	<b>1,167</b>
<b>Carrying amount at 31 March 2016</b>	<b>1,167</b>
<b>Carrying amount at 31 March 2015</b>	<b>1,167</b>

## 8 PROPERTY, PLANT AND EQUIPMENT

### 8.1 2016-17

	Land £000	Buildings £000	Plant and Machinery £000	Information Technology £000	Assets under Construction £000	Total £000
<b>Cost or Valuation</b>						
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)
Reclassifications	-	1,503	-	-	(1,503)	-
Revaluations	(14,551)	263	130	28	-	(14,130)
Impairments	-	-	-	-	-	-
Transfers	-	15	-	-	-	15
Net revaluations charged to SOCNE	(2,396)	3	1	3	-	(2,389)
<b>At 31 March 2017</b>	<b>108,405</b>	<b>11,463</b>	<b>6,699</b>	<b>626</b>	<b>426</b>	<b>127,619</b>
<b>Depreciation</b>						
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)
Reclassifications	-	-	-	-	-	-
Revaluations	(138)	38	(356)	7	-	(449)
Impairments	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Net revaluations charged to SOCNE	-	-	1	1	-	2
<b>At 31 March 2017</b>	<b>514</b>	<b>2,090</b>	<b>3,919</b>	<b>269</b>	<b>-</b>	<b>6,792</b>
<b>Carrying amount at 31 March 2017</b>	<b>107,891</b>	<b>9,373</b>	<b>2,780</b>	<b>357</b>	<b>426</b>	<b>120,827</b>
<b>Carrying amount at 31 March 2016</b>	<b>124,838</b>	<b>8,197</b>	<b>1,982</b>	<b>433</b>	<b>1,708</b>	<b>137,158</b>
<b>Asset financing:</b>						
Owned	107,891	9,373	2,780	357	426	120,827
Finance leased	-	-	-	-	-	-
<b>Carrying amount at 31 March 2017</b>	<b>107,891</b>	<b>9,373</b>	<b>2,780</b>	<b>357</b>	<b>426</b>	<b>120,827</b>

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1) 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).

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

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

## 8.2 2015-16

	<b>Land £000</b>	<b>Buildings £000</b>	<b>Plant and Machinery £000</b>	<b>Information Technology £000</b>	<b>Assets under Construction £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>						
At 1 April 2015	152,407	6,060	6,430	349	3,292	168,538
Additions	-	-	393	416	1,322	2,131
Disposals	-	-	(719)	(200)	-	(919)
Reclassifications	-	2,876	-	30	(2,906)	-
Revaluations	(24,854)	735	14	3	-	(24,102)
Impairments	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Net revaluations charged to SOCNE	(2,201)	9	1	(3)	-	(2,194)
<b>At 31 March 2016</b>	<b>125,352</b>	<b>9,680</b>	<b>6,119</b>	<b>595</b>	<b>1,708</b>	<b>143,454</b>
<b>Depreciation</b>						
At 1 April 2015	514	649	4,538	287	-	5,988
Charge in year	139	761	308	75	-	1,283
Disposals	-	-	(702)	(200)	-	(902)
Reclassifications	-	-	-	-	-	-
Revaluations	(139)	72	(7)	-	-	(74)
Impairments	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Net revaluations charged to SOCNE	-	1	-	-	-	1
<b>At 31 March 2016</b>	<b>514</b>	<b>1,483</b>	<b>4,137</b>	<b>162</b>	<b>-</b>	<b>6,296</b>
<b>Carrying amount at 31 March 2016</b>	<b>124,838</b>	<b>8,197</b>	<b>1,982</b>	<b>433</b>	<b>1,708</b>	<b>137,158</b>
<b>Carrying amount at 31 March 2015</b>	<b>151,893</b>	<b>5,411</b>	<b>1,892</b>	<b>62</b>	<b>3,292</b>	<b>162,550</b>
<b>Asset financing:</b>						
Owned	124,838	8,197	1,982	433	1,708	137,158
Finance leased	-	-	-	-	-	-
<b>Carrying amount at 31 March 2016</b>	<b>124,838</b>	<b>8,197</b>	<b>1,982</b>	<b>433</b>	<b>1,708</b>	<b>137,158</b>

# Accounts

## 9 INTANGIBLE ASSETS

### 9.1 2016-17

	<b>Land Rights £000</b>	<b>Software Licenses £000</b>	<b>Developed Software £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>				
At 1 April 2016	516	93	85	694
Additions	-	-	75	75
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	2	2
Impairments	-	-	-	-
Transfers	-	-	16	16
Net revaluations charged to SOCNE	-	-	-	-
<b>At 31 March 2017</b>	<b>516</b>	<b>93</b>	<b>178</b>	<b>787</b>
<b>Amortisation</b>				
At 1 April 2016	-	93	75	168
Charge in year	-	-	13	13
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
Impairments	-	-	-	-
Net revaluations charged to SOCNE	-	-	-	-
<b>At 31 March 2017</b>	<b>-</b>	<b>93</b>	<b>88</b>	<b>181</b>
<b>Carrying amount at 31 March 2017</b>	<b>516</b>	-	<b>90</b>	<b>606</b>
<b>Carrying amount at 31 March 2016</b>	<b>516</b>	-	<b>10</b>	<b>526</b>

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

### 9.2 2015-16

	<b>Land Rights £000</b>	<b>Software Licenses £000</b>	<b>Developed Software £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>				
At 1 April 2015	516	93	73	682
Additions	-	-	12	12
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
Impairments	-	-	-	-
Net revaluations charged to SOCNE -	-	-	-	-
<b>At 31 March 2016</b>	<b>516</b>	<b>93</b>	<b>85</b>	<b>694</b>
<b>Amortisation</b>				
At 1 April 2015	-	89	73	162
Charge in year	-	4	2	6
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	-	-	-	-
Impairments	-	-	-	-
Net revaluations charged to SOCNE	-	-	-	-
<b>At 31 March 2016</b>	<b>-</b>	<b>93</b>	<b>75</b>	<b>168</b>
<b>Carrying amount at 31 March 2016</b>	<b>516</b>	-	<b>10</b>	<b>526</b>
<b>Carrying amount at 31 March 2015</b>	<b>516</b>	<b>4</b>	-	<b>520</b>

# Accounts

## 10 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 2016-17 (2015-16: Nil).

## 11 BIOLOGICAL ASSETS

	Note	2016-17 £000	2015-16 £000
Value at 1 April		180,052	147,587
<i>Revaluation adjustment</i>			
Transfer to assets held for sale	12	(1,169)	(1,500)
Timber removals		(8,222)	(8,308)
Timber lost to fire		(5)	(3)
Timber lost to disease		-	-
Price / Growth increment		17,229	42,276
<b>Carrying amount at 31 March</b>		<b>187,885</b>	<b>180,052</b>
<i>Revaluation adjustment:</i>			
Credited / (charged) to			
Statement of Comprehensive Net Expenditure	5	7,501	32,790
In year movement in assets held for sale	12	331	(325)
<b>Movement in timber valuation</b>		<b>7,832</b>	<b>32,465</b>

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 2017-18 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 4% increase in the income per harvested hectare combined with an 13% increase in costs to sell accounted for the revaluation movement.

The increase in the value of sales at maturity rose to £9,381ha (2015-16: £9,048ha), coupled with an increase in the costs to sell of £1,251ha (2015-16: £1,111ha) accounted for the £7.8m 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.

# Accounts

## 12 CURRENT ASSETS - ASSETS CLASSIFIED AS HELD FOR SALE

	Note	2016-17 £000	2015-16 £000
<b>Land</b>		-	-
<b>Timber</b>			
Opening balance		1,500	1,175
Additions		1,169	1,500
Disposals		(1,500)	(1,175)
Revaluation		-	-
Transfers		-	-
Closing Balance	11	1,169	1,500
<b>Carrying amount at 31 March</b>		<b>1,169</b>	<b>1,500</b>

There are no assets surplus to requirements as at 31 March 2017.

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 11. This timber held for sale at year end will be sold in the following financial year and therefore is disclosed as a current asset held for sale valued at the expected sales price.

## 13 REVALUATIONS

	Note	2016-17 £000	2015-16 £000
Property, plant & equipment	5, 8	2,389	2,194
Growing Timber Revaluation	5, 11	(7,501)	(32,790)
<b>Total Revaluation (credit) / charge in year</b>	<b>5</b>	<b>(5,112)</b>	<b>(30,596)</b>

## 14 FINANCIAL INSTRUMENTS

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

## 15 INVENTORIES

	2016-17 £000	2015-16 £000
Stock	46	52
<b>Balance at 31 March</b>	<b>46</b>	<b>52</b>

# Accounts

## 16 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2016-17 £000	2015-16 £000
<b>Amounts falling due within one year:</b>		
Trade receivables	2,149	2,129
Other receivables	54	19
Prepayments and accrued income	32	100
VAT	-	-
<b>Balance at 31 March</b>	<b>2,235</b>	<b>2,248</b>
<b>Amounts falling due after more than one year:</b>		
Trade receivables	-	-
Other receivables	-	-
Prepayments and accrued income	-	-
VAT	-	-
<b>Balance at 31 March</b>	<b>-</b>	<b>-</b>
<b>Total receivables at 31 March</b>	<b>2,235</b>	<b>2,248</b>

## 17 CASH AND CASH EQUIVALENTS

Balance at 1 April	3	3
Net change in cash and cash equivalent balances	1	-
<b>Balance at 31 March</b>	<b>4</b>	<b>3</b>
The following balances as at 31 March were held at:		
Commercial banks and cash in hand	4	3
<b>Balance at 31 March</b>	<b>4</b>	<b>3</b>

## 18 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

<b>Amounts falling due within one year:</b>		
Other taxation and social security	12	-
Trade payables	9	6
Other payables	95	29
Accruals and deferred income	1,786	2,437
Consolidated Funds extra receipts due to be paid to the consolidated fund	-	-
VAT	25	270
<b>Balance at 31 March</b>	<b>1,927</b>	<b>2,742</b>
<b>Amounts falling due after more than one year:</b>		
Other taxation and social security	-	-
Trade payables	-	-
Other payables	-	-
Accruals and deferred income	-	-
Consolidated Funds extra receipts due to be paid to the consolidated fund	-	-
VAT	-	-
<b>Balance at 31 March</b>	<b>-</b>	<b>-</b>
<b>Total payables at 31 March</b>	<b>1,927</b>	<b>2,742</b>

# Accounts

## 19 PROVISIONS FOR LIABILITIES AND CHARGES

<b>2016-17</b>	<b>Legal Claims £000</b>	<b>Total £000</b>
Balance at 1 April 2016	597	597
Provided in the year	191	191
Provisions utilised in the year	-	-
Provisions not required written back	(408)	(408)
<b>Balance at 31 March 2017</b>	<b>380</b>	<b>380</b>
<i><b>Analysis of expected timing of discounted cash flows</b></i>		
Not later than one year	380	380
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Balance at 31 March 2017</b>	<b>380</b>	<b>380</b>

<b>2015-16</b>	<b>Legal Claims £000</b>	<b>Total £000</b>
Balance at 1 April 2015	603	603
Provided in the year	110	110
Provisions utilised in the year	-	-
Provisions not required written back	(116)	(116)
<b>Balance at 31 March 2016</b>	<b>597</b>	<b>597</b>
<i><b>Analysis of expected timing of discounted cash flows</b></i>		
Not later than one year	597	597
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Balance at 31 March 2016</b>	<b>597</b>	<b>597</b>

### Legal Claims

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

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

# Accounts

## 20 GRANT COMMITMENTS

The agency has entered into non-cancellable contracts (which are not leases or PFI (and other service concession arrangement) contracts) for grants for the 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 are as follows:

	<b>2016-17 £000</b>	<b>2015-16 £000</b>
<b>EU Grant Schemes</b>		
Not later than one year	1,054	857
Later than one year and not later than five years	1,945	2,027
Later than five years	1,275	1,367
	<b>4,274</b>	<b>4,251</b>
<b>National Grant Schemes</b>		
Not later than one year	753	572
Later than one year and not later than five years	1,297	1,352
Later than five years	850	911
	<b>2,900</b>	<b>2,835</b>
<b>Total EU/National Grant Schemes</b>		
Not later than one year	1,807	1,429
Later than one year and not later than five years	3,242	3,379
Later than five years	2,125	2,278
<b>Present value of obligations</b>	<b>7,174</b>	<b>7,086</b>

## 21 CAPITAL COMMITMENTS

There are no contracted capital commitments at 31 March 2017 (2015-16: £NIL).

## 22 COMMITMENTS UNDER LEASES

### Operating leases

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

	<b>2016-17 £000</b>	<b>2015-16 £000</b>
<b>Land</b>		
Not later than one year	2	2
Later than one year and not later than five years	7	7
Later than five years	175	177
	<b>184</b>	<b>186</b>

### Finance leases

The Agency had no finance leases during 2016-17 or 2015-16.

## 23 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

### Public Liability Claims

The Agency has 23 ongoing public liability claims at 31 March 2017 (31 March 2016: 16 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.

# Accounts

## 24 LOSSES AND SPECIAL PAYMENTS

### Losses

	2016-17 £000	Number of cases	2015-16 £000	Number of cases
<b>Tree &amp; Plant Diseases</b>				
P. ramorum *	-	-	-	6
P. lateralis *	-	-	-	1
Chalara Fraxinea *	-	-	95	23
<b>Forest Fires</b>				
	5	5	3	1
<b>Fraud / Theft</b>				
	2	7	3	3
<b>Ex-Gratia Payments</b>				
	-	-	3	1
<b>Special Payments</b>				
	-	-	-	-
	<b>7</b>	<b>12</b>	<b>104</b>	<b>35</b>

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

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

The losses incurred for *P.ramorum* and *P.lateralis* were below the reporting threshold of £1,000.

The ex-gratia payment was to compensate a claimant for non receipt of Farm Woodland Premium from 2008 to 2014.

## 25 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.

## 26 THIRD-PARTY ASSETS

Forest Service has no third-party assets as at 31 March 2017.

## 27 EVENTS AFTER THE REPORTING PERIOD

The Meteorological Office reported that April 2017 was the driest on record since 1980 with rainfall of 28.6mm, or 38% of the average rainfall for April. The dry conditions prevailed in to early May 2017 and combined with strong easterly winds resulted in forests and heath land being particularly vulnerable to fire. Approximately 50 hectares of plantation and a further 1,010 hectares of open land, mostly heath land, was burnt during the period 3 to 12 May in east Fermanagh and south Tyrone. Most of this fire damage is suspected to have resulted from malicious setting of fires in or close to Forest Service managed land.

## DATE OF AUTHORISATION FOR ISSUE

The Accounting Officer authorised these financial statements for issue on 22 June 2017.





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