

## **ACT FORESTS**

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### **Objectives**

ACT Forests manages 24,350 hectares of land, including 5,150 hectares of established pine plantation, and is playing a key role in delivering the Government's re-greening program in the Cotter catchment and areas close to the urban interface.

The major management priorities for ACT Forests after the bushfires are reforestation, protection of water quality, fire protection and maintenance of the forest estate and recreation facilities. Minor commercial operations will continue in Kowen plantation. The objective of the operational programs is to progressively implement the reforestation program in a holistic manner that addresses the significant environmental issues and ensures that the new forests surpass those that were destroyed by the fire.

The forests continue to provide a diverse range of recreational and educational opportunities for the community, particularly in the Kowen plantation.

### **2005-06 Highlights**

Strategic and operational issues to be pursued in 2005-06 include:

- continuing the cleanup of over 10,000 hectares of burnt softwood plantation - achieving another 1,500 hectares of that program;
- planting 1.3 million pine trees and 360,000 other native and exotic plants including the planting of Stromlo Forest Park;
- continuing a major forest road rehabilitation program focusing on works within the Cotter Catchment; and
- maintaining ACT Forests' base contribution to bushfire prevention and suppression programs.

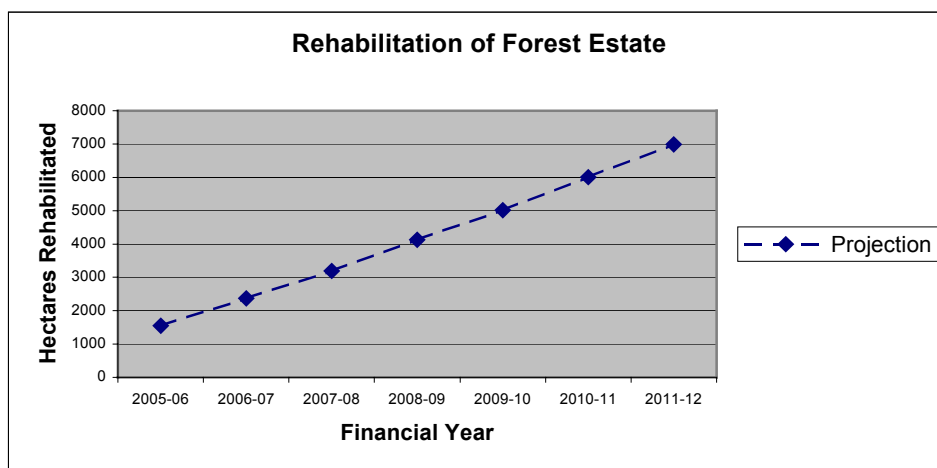
## Output Classes

|   | Total Cost                        |                             | Government Payment for Outputs    |                             |
|---|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
|   | 2004-05<br>Est. Outcome<br>\$'000 | 2005-06<br>Budget<br>\$'000 | 2004-05<br>Est. Outcome<br>\$'000 | 2005-06<br>Budget<br>\$'000 |
| <b>Output Class 1</b>   |                                   |                             |                                   |                             |
| Forestry Services   | 12 260                            | 12 323                      | 133                               | 193                         |
| <b>Output 1.1: Rehabilitation and Management of Forest Estate</b> | 12 260                            | 12 323                      | 133                               | 193                         |

The major management priorities for ACT Forests after the January 2003 bushfires are cleanup and rehabilitation of areas close to the urban interface and within the Cotter catchment. Minor commercial operations will continue in Kowen Forest.

## Strategic Indicators

### Strategic Indicator 1 Rehabilitation of the Forest Estate



|  | 2004-05<br>Target<br>hectares | 2004-05<br>Est. Outcome<br>hectares | 2005-06<br>Target<br>hectares |
|--|-------------------------------|-------------------------------------|-------------------------------|
| <b>Rehabilitation of the Forest Estate</b> | N/A                           | N/A                                 | 1 550                         |

This measure reflects the completion of debris removal, site preparation and replanting of areas affected by the January 2003 bushfires. The long term target excludes areas of former pine plantation which are being reserved for future urban expansion or being converted to major facilities such as Stromlo Forest Park and the International Arboretum.

## Accountability Indicators

|   | 2004-05<br>Targets | 2004-05<br>Est. Outcome | 2005-06<br>Targets |
|---|--------------------|-------------------------|--------------------|
| <b>Output 1.1 Rehabilitation and management of forest estate</b>                      |                    |                         |                    |
| a. Total cost per hectare of pine planted   | n/a                | n/a                     | \$2 850            |
| b. Total annual management cost per hectare – excluding cost of harvesting operations | n/a                | n/a                     | \$110              |
| c. Percentage of planned planting program completed                                   | n/a                | n/a                     | 100%               |
| d. Survival of previous years' pine planting  | 85%                | 53%                     | 0% <sup>1</sup>    |

<sup>1</sup>. No pine planting in 2004 due to continuing drought, target will be used to measure survival rate in coming years.

## Budgeted Financial Results

Section 31 of the *Financial Management Act 1996* (FMA), provides that Chief Executives are responsible for the achievement of financial results. For the purpose of Section 31 of the FMA key budgeted results are specified in the Budget Papers to improve accountability. An outcome of the increased accountability will be the requirement for Chief Executives to explain material variances from specified budgeted results.

In accordance with Section 31 of the FMA, the following are the key 2005-06 Budget results for ACT Forests:

- **Operating Result (\$8.724m deficit)** – this measure focuses on the financial performance of ACT Forests, and will measure its success in managing expenditure levels within government funding and commercial revenues. This result is driven by expenses incurred in the rehabilitation of the forest estate.
- **Current Ratio (0.3 to 1)** – the current ratio is an indication of the ability to fund short term liabilities from short-term assets. While a generally accepted minimum of 1:1 is desired, a ratio of 0.3:1 is considered acceptable.
- **Total Assets (\$83.782m)** – this measure focuses on ACT Forests' ability to manage its asset base.
- **Total Liabilities (\$14.731m)** – this measure indicates the size of the obligations that ACT Forests has to meet in the future, and is largely comprised of payables related to the rehabilitation of the forest estate and deferred income tax liabilities.

## Changes to Appropriation

### Changes to Appropriation - Departmental

|   | 2004-05    | 2005-06    | 2006-07    | 2007-08    | 2008-09    |
|---|------------|------------|------------|------------|------------|
| Government Payment for Outputs              | Est. Outc. | Budget     | Estimate   | Estimate   | Estimate   |
|   | \$'000     | \$'000     | \$'000     | \$'000     | \$'000     |
| <b>2004-05 Budget</b>                       | 74         | 129        | 162        | 166        | 166        |
| <b>2nd Appropriation</b>                    |            |            |            |            |            |
| Wage Negotiations                           | 59         | 64         | 77         | 80         | 80         |
| <b>2005-06 Budget Technical Adjustments</b> |            |            |            |            |            |
| Revised Indexation Parameters               | 0          | 0          | 0          | 0          | 4          |
| <b>2005-06 Budget</b>                       | <b>133</b> | <b>193</b> | <b>239</b> | <b>246</b> | <b>250</b> |

## ACT Forests Operating Statement

| 2004-05<br>Budget<br>\$'000 |  | 2004-05<br>Est.Outcome<br>\$'000 | 2005-06<br>Budget<br>\$'000 | Var<br>%   | 2006-07<br>Estimate<br>\$'000 | 2007-08<br>Estimate<br>\$'000 | 2008-09<br>Estimate<br>\$'000 |
|-----------------------------|--|----------------------------------|-----------------------------|------------|-------------------------------|-------------------------------|-------------------------------|
| <b>Income</b>               |  |                                  |                             |            |                               |                               |                               |
| <b>Revenue</b>              |  |                                  |                             |            |                               |                               |                               |
| 74                          | Government Payment for Outputs                   | 133                              | 193                         | 45         | 239                           | 246                           | 250                           |
| 1 268                       | User Charges - Non ACT Government                | 1 795                            | 1 268                       | -29        | 1 268                         | 1 268                         | 1 300                         |
| 2 138                       | User Charges - ACT Government                    | 2 145                            | 2 138                       | ..         | 2 138                         | 2 138                         | 2 138                         |
| 0                           | Interest   | 78                               | 0                           | -100       | 0                             | 0                             | 0                             |
| 0                           | Other Revenue                                    | 9                                | 0                           | -100       | 0                             | 0                             | 0                             |
| <b>3 480</b>                | <b>Total Revenue</b>                             | <b>4 160</b>                     | <b>3 599</b>                | <b>-13</b> | <b>3 645</b>                  | <b>3 652</b>                  | <b>3 688</b>                  |
| <b>Gains</b>                |  |                                  |                             |            |                               |                               |                               |
| <b>0</b>                    | <b>Total Gains</b>                               | <b>0</b>                         | <b>0</b>                    | <b>-</b>   | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      |
| <b>3 480</b>                | <b>Total Income</b>                              | <b>4 160</b>                     | <b>3 599</b>                | <b>-13</b> | <b>3 645</b>                  | <b>3 652</b>                  | <b>3 688</b>                  |
| <b>Expenses</b>             |  |                                  |                             |            |                               |                               |                               |
| 2 563                       | Employee Expenses                                | 2 580                            | 2 751                       | 7          | 2 866                         | 2 962                         | 3 004                         |
| 225                         | Superannuation Expenses                          | 226                              | 248                         | 10         | 263                           | 272                           | 272                           |
| 8 456                       | Supplies and Services                            | 8 456                            | 8 268                       | -2         | 8 234                         | 6 318                         | 6 477                         |
| 319                         | Depreciation and Amortisation                    | 176                              | 349                         | 98         | 362                           | 374                           | 374                           |
| 662                         | Cost of Goods Sold                               | 794                              | 679                         | -14        | 696                           | 714                           | 732                           |
| 28                          | Other Expenses                                   | 28                               | 28                          | -          | 28                            | 28                            | 29                            |
| <b>12 253</b>               | <b>Total Ordinary Expenses</b>                   | <b>12 260</b>                    | <b>12 323</b>               | <b>1</b>   | <b>12 449</b>                 | <b>10 668</b>                 | <b>10 888</b>                 |
| <b>-8 773</b>               | <b>Operating Result From Ordinary Activities</b> | <b>-8 100</b>                    | <b>-8 724</b>               | <b>-8</b>  | <b>-8 804</b>                 | <b>-7 016</b>                 | <b>-7 200</b>                 |
| 0                           | Income Tax Equivalent                            | -2 746                           | 0                           | -100       | 0                             | 0                             | 0                             |
| <b>-8 773</b>               | <b>Operating Result</b>                          | <b>-5 354</b>                    | <b>-8 724</b>               | <b>-63</b> | <b>-8 804</b>                 | <b>-7 016</b>                 | <b>-7 200</b>                 |

## ACT Forests Balance Sheet

| Budget<br>as at 30/6/05<br>\$'000    |                                      | Est.Outcome<br>as at 30/6/05<br>\$'000 | Planned<br>as at 30/6/06<br>\$'000 | Var<br>%   | Planned<br>as at 30/6/07<br>\$'000 | Planned<br>as at 30/6/08<br>\$'000 | Planned<br>as at 30/6/09<br>\$'000 |
|--------------------------------------|--------------------------------------|--|------------------------------------|------------|------------------------------------|------------------------------------|------------------------------------|
| <b>Current Assets</b>                |                                      |  |                                    |            |                                    |                                    |                                    |
| 1 452                                | Cash                                 | 1 711                                  | 1 833                              | 7          | 1 634                              | 1 298                              | 781                                |
| 33 554                               | Receivables                          | 2 902                                  | 739                                | -75        | 739                                | 739                                | 739                                |
| 500                                  | Other                                | 500                                    | 500                                | -          | 500                                | 500                                | 500                                |
| <b>35 506</b>                        | <b>Total Current Assets</b>          | <b>5 113</b>                           | <b>3 072</b>                       | <b>-40</b> | <b>2 873</b>                       | <b>2 537</b>                       | <b>2 020</b>                       |
| <b>Non Current Assets</b>            |                                      |  |                                    |            |                                    |                                    |                                    |
| 0                                    | Receivables                          | 34 960                                 | 27 415                             | -22        | 18 721                             | 11 965                             | 5 209                              |
| 19 414                               | Property, Plant and Equipment        | 21 549                                 | 22 470                             | 4          | 22 608                             | 22 734                             | 22 860                             |
| 515                                  | Capital Works in Progress            | 0                                      | 0                                  | -          | 0                                  | 0                                  | 0                                  |
| 33 597                               | Other                                | 30 825                                 | 30 825                             | -          | 30 825                             | 30 825                             | 30 825                             |
| <b>53 526</b>                        | <b>Total Non Current Assets</b>      | <b>87 334</b>                          | <b>80 710</b>                      | <b>-8</b>  | <b>72 154</b>                      | <b>65 524</b>                      | <b>58 894</b>                      |
| <b>89 032</b>                        | <b>TOTAL ASSETS</b>                  | <b>92 447</b>                          | <b>83 782</b>                      | <b>-9</b>  | <b>75 027</b>                      | <b>68 061</b>                      | <b>60 914</b>                      |
| <b>Current Liabilities</b>           |                                      |  |                                    |            |                                    |                                    |                                    |
| 1 201                                | Payables                             | 5 928                                  | 5 928                              | -          | 5 928                              | 5 928                              | 5 928                              |
| 231                                  | Employee Benefits                    | 350                                    | 355                                | 1          | 355                                | 354                                | 355                                |
| 0                                    | Income Tax Payable                   | 4 097                                  | 4 097                              | -          | 4 097                              | 4 097                              | 4 097                              |
| <b>1 432</b>                         | <b>Total Current Liabilities</b>     | <b>10 375</b>                          | <b>10 380</b>                      | <b>..</b>  | <b>10 380</b>                      | <b>10 379</b>                      | <b>10 380</b>                      |
| <b>Non Current Liabilities</b>       |                                      |  |                                    |            |                                    |                                    |                                    |
| 228                                  | Employee Benefits                    | 200                                    | 254                                | 27         | 303                                | 354                                | 406                                |
| 0                                    | Non Current Income Tax Payable       | 4 097                                  | 4 097                              | -          | 4 097                              | 4 097                              | 4 097                              |
| <b>228</b>                           | <b>Total Non Current Liabilities</b> | <b>4 297</b>                           | <b>4 351</b>                       | <b>1</b>   | <b>4 400</b>                       | <b>4 451</b>                       | <b>4 503</b>                       |
| <b>1 660</b>                         | <b>TOTAL LIABILITIES</b>             | <b>14 672</b>                          | <b>14 731</b>                      | <b>..</b>  | <b>14 780</b>                      | <b>14 830</b>                      | <b>14 883</b>                      |
| <b>87 372</b>                        | <b>NET ASSETS</b>                    | <b>77 775</b>                          | <b>69 051</b>                      | <b>-11</b> | <b>60 247</b>                      | <b>53 231</b>                      | <b>46 031</b>                      |
| <b>REPRESENTED BY FUNDS EMPLOYED</b> |                                      |  |                                    |            |                                    |                                    |                                    |
| 83 631                               | Accumulated Funds                    | 74 034                                 | 65 310                             | -12        | 56 506                             | 49 490                             | 42 290                             |
| 3 741                                | Reserves                             | 3 741                                  | 3 741                              | -          | 3 741                              | 3 741                              | 3 741                              |
| <b>87 372</b>                        | <b>TOTAL FUNDS EMPLOYED</b>          | <b>77 775</b>                          | <b>69 051</b>                      | <b>-11</b> | <b>60 247</b>                      | <b>53 231</b>                      | <b>46 031</b>                      |

## ACT Forests Cash Flow Statement

| 2004-05<br>Budget<br>\$'000                     |  | 2004-05<br>Est.Outcome<br>\$'000 | 2005-06<br>Budget<br>\$'000 | Var<br>%   | 2006-07<br>Estimate<br>\$'000 | 2007-08<br>Estimate<br>\$'000 | 2008-09<br>Estimate<br>\$'000 |
|---|--|----------------------------------|-----------------------------|------------|-------------------------------|-------------------------------|-------------------------------|
| <b>CASH FLOWS FROM<br/>OPERATING ACTIVITIES</b> |  |                                  |                             |            |                               |                               |                               |
| <b>Receipts</b>                                 |  |                                  |                             |            |                               |                               |                               |
| 74  | Cash from Government for<br>Outputs                                    | 133                              | 193                         | 45         | 239                           | 246                           | 250                           |
| 3 406   | User Charges   | 4 105                            | 3 406                       | -17        | 3 406                         | 3 406                         | 3 438                         |
| 0   | Interest Received  | 82                               | 0                           | -100       | 0                             | 0                             | 0                             |
| 9 540   | Other Revenue  | 13 106                           | 9 208                       | -30        | 8 694                         | 6 756                         | 6 756                         |
| 500   | Extraordinary Receipts   | 0                                | 500                         | #          | 0                             | 0                             | 0                             |
| <b>13 520</b>                                   | <b>Operating Receipts</b>  | <b>17 426</b>                    | <b>13 307</b>               | <b>-24</b> | <b>12 339</b>                 | <b>10 408</b>                 | <b>10 444</b>                 |
| <b>Payments</b>                                 |  |                                  |                             |            |                               |                               |                               |
| 2 731   | Related to Employees   | 2 862                            | 2 940                       | 3          | 3 080                         | 3 184                         | 3 223                         |
| 8 456   | Related to Supplies and<br>Services                                    | 9 348                            | 8 268                       | -12        | 8 234                         | 6 318                         | 6 477                         |
| 690   | Other  | 1 978                            | 707                         | -64        | 724                           | 742                           | 761                           |
| <b>11 877</b>                                   | <b>Operating Payments</b>  | <b>14 188</b>                    | <b>11 915</b>               | <b>-16</b> | <b>12 038</b>                 | <b>10 244</b>                 | <b>10 461</b>                 |
| <b>1 643</b>                                    | <b>NET CASH<br/>INFLOW/(OUTFLOW)<br/>FROM OPERATING<br/>ACTIVITIES</b> | <b>3 238</b>                     | <b>1 392</b>                | <b>-57</b> | <b>301</b>                    | <b>164</b>                    | <b>-17</b>                    |
| <b>CASH FLOWS FROM<br/>INVESTING ACTIVITIES</b> |  |                                  |                             |            |                               |                               |                               |
| <b>Payments</b>                                 |  |                                  |                             |            |                               |                               |                               |
| 1 300   | Purchase of Property, Plant<br>and Equipment                           | 5 794                            | 1 270                       | -78        | 500                           | 500                           | 500                           |
| <b>1 300</b>                                    | <b>Investing Payments</b>  | <b>5 794</b>                     | <b>1 270</b>                | <b>-78</b> | <b>500</b>                    | <b>500</b>                    | <b>500</b>                    |
| <b>-1 300</b>                                   | <b>NET CASH<br/>INFLOW/(OUTFLOW)<br/>FROM INVESTING<br/>ACTIVITIES</b> | <b>-5 794</b>                    | <b>-1 270</b>               | <b>78</b>  | <b>-500</b>                   | <b>-500</b>                   | <b>-500</b>                   |
| <b>343</b>                                      | <b>NET<br/>INCREASE/(DECREASE)<br/>IN CASH HELD</b>                    | <b>-2 556</b>                    | <b>122</b>                  | <b>105</b> | <b>-199</b>                   | <b>-336</b>                   | <b>-517</b>                   |
| <b>1 109</b>                                    | <b>CASH AT BEGINNING OF<br/>REPORTING PERIOD</b>                       | <b>4 267</b>                     | <b>1 711</b>                | <b>-60</b> | <b>1 833</b>                  | <b>1 634</b>                  | <b>1 298</b>                  |
| <b>1 452</b>                                    | <b>CASH AT THE END OF<br/>THE REPORTING<br/>PERIOD</b>                 | <b>1 711</b>                     | <b>1 833</b>                | <b>7</b>   | <b>1 634</b>                  | <b>1 298</b>                  | <b>781</b>                    |

## ACT Forests Statement of Changes in Equity

| Budget<br>as at 30/6/05<br>\$'000 |  | Est.Outcome<br>as at 30/6/05<br>\$'000 | Planned<br>as at 30/6/06<br>\$'000 | Var<br>% | Planned<br>as at 30/6/07<br>\$'000 | Planned<br>as at 30/6/08<br>\$'000 | Planned<br>as at 30/6/09<br>\$'000 |
|-----------------------------------|--|--|------------------------------------|----------|------------------------------------|------------------------------------|------------------------------------|
| 96 145                            | <b>Opening Balance</b>   | 83 129                                 | 77 775                             | -6       | 69 051                             | 60 247                             | 53 231                             |
|                                   | <b>Accumulated Funds</b>   |  |                                    |          |                                    |                                    |                                    |
| -8 773                            | Operating Result for the<br>Period   | -5 354                                 | -8 724                             | -63      | -8 804                             | -7 016                             | -7 200                             |
|                                   | <b>Reserves</b>  |  |                                    |          |                                    |                                    |                                    |
| -8 773                            | <b>Total Income And Expense<br/>For The Period</b>                               | -5 354                                 | -8 724                             | -63      | -8 804                             | -7 016                             | -7 200                             |
|                                   | <b>Transactions Involving Equity<br/>Holders Affecting<br/>Accumulated Funds</b> |  |                                    |          |                                    |                                    |                                    |
| 87 372                            | <b>Closing Balance</b>   | 77 775                                 | 69 051                             | -11      | 60 247                             | 53 231                             | 46 031                             |

### Notes to the Budget Statements

The result of the January 2003 bushfires was a shift in primary focus from commercial forestry to rehabilitation of non-urban land and delivery of key reinstatement projects. The rehabilitation program has been designed according to the needs of the land and, as such, the cost of the rehabilitation works varies from year to year.

#### *Operating Statement*

Significant variations are as follows:

- government payment for outputs: the increase of \$0.059m in the 2004-05 estimated outcome from the original budget and the increase of \$0.060m in the 2005-06 Budget from the 2004-05 estimated outcome relates to supplementation for wage increases;
- user charges – non ACT Government: the increase of \$0.527m in the 2004-05 estimated outcome from the original budget relates to additional salvaged log sales and increased sawlog yields from the current harvesting operations at Kowen Forest. The decrease of \$0.527m in the 2005-06 Budget from the 2004-05 estimated outcome reflects a return to regular levels of log sales;
- interest: the increase of \$0.078m in the 2004-05 estimated outcome from the original budget relates to investment of short term cash surpluses. The decrease of \$0.078m in the 2005-06 Budget from the 2004-05 estimated outcome reflects a forecast return to minimal cash surpluses;
- employee expenses: the increase of \$0.171m in the 2005-06 Budget from the 2004-05 estimated outcome is due to the outcome of the Enterprise Bargaining Agreement (EBA);
- depreciation: the decrease of \$0.143m in the 2004-05 estimated outcome from the original budget relates to the delayed completion of the new ACT Forests headquarters, forest road reconstructions and forest fence replacement. The increase of \$0.173m in the

2005-06 Budget from the 2004-05 estimated outcome reflects revised levels of depreciation incorporating the completion of the above works;

- cost of goods sold: the increase of \$0.132m in the 2004-05 estimated outcome from the original budget relates to additional salvaged log and increased sawlog harvesting from the Kowen Forest. The decrease of \$0.115m in the 2005-06 Budget from the 2004-05 estimated outcome reflects a forecast return to regular levels of log harvesting; and
- income tax equivalent: the decrease of \$2.746m in the 2004-05 estimated outcome from the original budget is due to a write-back of a provision for deferred income tax expense based on recent forecasts.

### *Balance Sheet*

Significant variations are as follows:

- current receivables: the decrease of \$30.652m in the 2004-05 estimated outcome from the original budget and the decrease of \$2.163m in the 2005-06 Budget from the 2004-05 estimated outcome is due to the reallocation of insurance claim proceeds from current to non current assets to reflect the current program of insurance recoveries and associated works;
- non current receivables: the increase of \$34.960m in the 2004-05 estimated outcome from the original budget is due to the reallocation of insurance recoveries noted above. The decrease of \$7.545m in the 2005-06 Budget from the 2004-05 estimated outcome is due to insurance recovery draw-downs in 2005-06; and
- current and non current employee entitlements: the net increase of \$0.091m in the 2004-05 estimated outcome from the original budget and increase of \$0.059m in the 2005-06 Budget from the 2004-05 estimated outcome relates to the effect of wage increases.

