ACT FORESTS

Objectives

ACT Forests is responsible for the growing, tending, harvesting and sale of forest products from its plantations on a commercial and sustainable basis. ACT Forests also operates in partnership with private growers to implement regional forestry strategies.

ACT Forests manages non-plantation areas for conservation purposes and is responsible for protecting natural and cultural heritage sites in conjunction with the protection of plantation resources. The forests, which attract over one million recreational visitors a year, provides a diverse range of forest recreational and educational opportunities for the community.

ACT Forests manage 26,900 hectares of land including 16,200 hectares of commercial pine and eucalypt plantations. The plantations provide the raw materials for local saw milling industries that produce construction timber for use in the ACT, Sydney, Brisbane and overseas markets.

2002-03 Highlights

Strategic and operational issues to be pursued in 2002-03 include:

- replanting 1,070 hectares of plantation, including the 500 hectares destroyed in the December 2001 bushfires;
- developing a comprehensive Forest Management Plan and Environmental Management System to facilitate the attainment of independent forest certification;
- establishing a Board of Commercial Advisors to assist in the implementation of new business strategies and provide a stronger commercial focus to ACT Forests operations;
- reviewing the current silvicultural regime to encompass more site specific regimes, reduce overall costs and improve the future value of the plantation, together with strategies for reducing the backlog of areas that are either unplanted or behind schedule for tending programs;
- providing the required community service obligations, including maintaining the existing contribution to fire suppression programs;
- finalising a revision of the ACT Code of Forest Practices;
- finalising ACT Forests' strategies for the revision of Bushfire Fuel Management Plans; and
- developing strategies and programs to control priority environmental weeds and wildling pines and to reduce erosion from forest roads.

Budgeted Financial Targets

Section 31 of the *Financial Management Act 1996 (FMA)* advises that Chief Executives are responsible for 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, following are the key budgeted results for ACT Forests.

- ***Operating Result ($1.169m)* –** this measure focuses on the financial performance of ACT Forests, and will measure ACT Forests' ability to generate a profit from its commercial forestry operations;
- ***Quick Ratio (2.5 to 1)* –** the quick ratio is an indication of the Agency's ability to fund short term liabilities from short-term assets excluding inventory and other non-liquid assets. The exclusion of these items provides a more accurate indication of the Agency's ability to fund liabilities as they fall due in the next twelve months;
- ***Total Assets ($102.732m)* –** this measure focuses on ACT Forests' ability to manage its assets base, which mainly relates to the commercial plantations and includes land and buildings. These assets are used for the provision of forestry services to the ACT community;
- ***Total Liabilities ($3.901m)* –** this measure focuses on maintaining prudent levels of liabilities as required by Section 11 of the FMA. Approximately 40% of ACT Forests' liabilities relate to ACT Government borrowings.

ACT Forests
Statement of Financial Performance

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
	Revenue						
0	Government Payment for Outputs	0	90	#	90	90	0
10 080	User Charges - Non ACT Government	9 110	9 186	1	10 412	9 989	9 358
2 230	User Charges - ACT Government	2 285	2 125	-7	2 125	2 125	2 125
0	Interest	1	0	-100	0	0	0
0	Other Revenue	4 751	2 044	-57	1 000	1 000	1 000
12 310	**Total Ordinary Revenue**	**16 147**	**13 445**	**-17**	**13 627**	**13 204**	**12 483**
	Expenses						
2 459	Employee Expenses	3 023	1 804	-40	1 825	1 846	1 785
205	Superannuation Expenses	170	159	-6	161	163	157
10 905	Administrative Expenses	10 592	10 011	-5	10 016	9 630	9 007
144	Depreciation and Amortisation	156	125	-20	97	97	97
151	Borrowing Costs	151	149	-1	133	109	74
0	Other Expenses	28	28	-	28	28	28
13 864	**Total Ordinary Expenses**	**14 120**	**12 276**	**-13**	**12 260**	**11 873**	**11 148**
-1 554	**Operating Result From Ordinary Activities**	**2 027**	**1 169**	**-42**	**1 367**	**1 331**	**1 335**
1 050	Injection for Operating Requirements	1 350	0	-100	0	0	0
-504	**Operating Result**	**3 377**	**1 169**	**-65**	**1 367**	**1 331**	**1 335**
92 347	**Total Equity From Start of Period**	**93 642**	**97 662**	**4**	**98 831**	**100 198**	**101 529**
240	Capital Injections	643	0	-100	0	0	0
92 083	**Total Equity At The End of Period**	**97 662**	**98 831**	**1**	**100 198**	**101 529**	**102 864**

ACT Forests
Statement of Financial Position

Budget as at 30/6/02 $'000		Est.Outcome as at 30/6/02 $'000	Planned as at 30/6/03 $'000	Var %	Planned as at 30/6/04 $'000	Planned as at 30/6/05 $'000	Planned as at 30/6/06 $'000
	Current Assets						
38	Cash	301	297	-1	297	297	297
1 309	Receivables	3 589	3 589	-	3 589	3 589	3 589
4 055	Inventories	50	50	-	50	50	50
128	Other	3 447	3 816	11	3 630	3 378	3 539
5 530	**Total Current Assets**	**7 387**	**7 752**	**5**	**7 566**	**7 314**	**7 475**
	Non Current Assets						
75 990	Inventories	0	0	-	0	0	0
15 439	Property, Plant and Equipment	15 311	15 186	-1	15 089	14 992	14 895
0	Other	79 163	79 794	1	80 980	82 232	83 071
91 429	**Total Non Current Assets**	**94 474**	**94 980**	**1**	**96 069**	**97 224**	**97 966**
96 959	**TOTAL ASSETS**	**101 861**	**102 732**	**1**	**103 635**	**104 538**	**105 441**
	Current Liabilities						
1 598	Payables	1 552	1 301	-16	1 014	879	879
30	Interest Bearing Liabilities	30	30	-	30	30	30
361	Employee Entitlements	179	179	-	179	179	179
0	Other Provisions	7	7	-	7	7	7
0	Other	58	13	-78	13	13	13
1 989	**Total Current Liabilities**	**1 826**	**1 530**	**-16**	**1 243**	**1 108**	**1 108**
	Non Current Liabilities						
485	Payables	505	505	-	505	505	505
1 561	Interest Bearing Liabilities	1 561	1 529	-2	1 322	999	537
785	Employee Entitlements	258	288	12	318	348	378
56	Other Provisions	49	49	-	49	49	49
2 887	**Total Non Current Liabilities**	**2 373**	**2 371**	**..**	**2 194**	**1 901**	**1 469**
4 876	**TOTAL LIABILITIES**	**4 199**	**3 901**	**-7**	**3 437**	**3 009**	**2 577**
92 083	**NET ASSETS**	**97 662**	**98 831**	**1**	**100 198**	**101 529**	**102 864**
	REPRESENTED BY FUNDS EMPLOYED						
87 907	Accumulated Funds	93 486	94 655	1	96 022	97 353	98 688
4 176	Reserves	4 176	4 176	-	4 176	4 176	4 176
92 083	**TOTAL FUNDS EMPLOYED**	**97 662**	**98 831**	**1**	**100 198**	**101 529**	**102 864**

ACT Forests
Cashflow Statement

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
	CASH FLOWS FROM OPERATING ACTIVITIES						
	Receipts						
0	Cash from Government for Outputs	0	90	#	90	90	0
1 050	Cash from Government - Operating	1 350	0	-100	0	0	0
12 460	User Charges	11 079	12 150	10	13 581	13 116	12 421
0	Interest Received	2	0	-100	0	0	0
1 023	Other Revenue	1 937	1 945	..	941	902	840
14 533	**Operating Receipts**	**14 368**	**14 185**	**-1**	**14 612**	**14 108**	**13 261**
	Payments						
2 809	Related to Employees	3 821	1 786	-53	1 956	1 979	1 912
10 746	Related to Administration	9 985	11 227	12	11 244	10 667	9 846
151	Borrowing Costs	151	149	-1	133	109	74
1 023	Other	1 051	995	-5	1 072	1 030	967
14 729	**Operating Payments**	**15 008**	**14 157**	**-6**	**14 405**	**13 785**	**12 799**
-196	**NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES**	**-640**	**28**	**104**	**207**	**323**	**462**
	CASH FLOWS FROM INVESTING ACTIVITIES						
	Receipts						
263	Proceeds from Sale/Maturities of Investments	25	0	-100	0	0	0
263	**Investing Receipts**	**25**	**0**	**-100**	**0**	**0**	**0**
	Payments						
240	Purchase of Property, Plant and Equipment	240	0	-100	0	0	0
240	**Investing Payments**	**240**	**0**	**-100**	**0**	**0**	**0**
23	**NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES**	**-215**	**0**	**100**	**0**	**0**	**0**
	CASH FLOWS FROM FINANCING ACTIVITIES						
	Receipts						
240	Capital Injection from Government	643	0	-100	0	0	0
240	**Financing Receipts**	**643**	**0**	**-100**	**0**	**0**	**0**

ACT Forests
Cashflow Statement

2001-02 Budget $'000		2001-02 Est.Outcome $'000	2002-03 Budget $'000	Var %	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
	Payments						
30	Repayment of Borrowings	30	32	7	207	323	462
30	**Financing Payments**	**30**	**32**	**7**	**207**	**323**	**462**
210	**NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES**	**613**	**-32**	**-105**	**-207**	**-323**	**-462**
37	**NET INCREASE/(DECREASE) IN CASH HELD**	**-242**	**-4**	**98**	**0**	**0**	**0**
1	**CASH AT BEGINNING OF REPORTING PERIOD**	**543**	**301**	**-45**	**297**	**297**	**297**
38	**CASH AT THE END OF THE REPORTING PERIOD**	**301**	**297**	**-1**	**297**	**297**	**297**

Notes to the Budget Statements

Significant variations are as follows:

Statement of Financial Performance

- government payment for outputs: the increase of $0.090m in the 2002-03 Budget from the 2001-02 estimated outcome is due to reclassification of injections from operating GPO;
- user charges - non ACT Government: the decrease of $0.970m in the 2001-02 from the original budget is attributable to reduced logging production from ACT Forests’ estate due to reduced demand;
- user charges – ACT Government: the decrease of $0.160m in 2002-03 Budget from the 2001-02 estimated outcome represents a return to average expected recoverable fire costs;
- other revenue – the increase of $4.751m in the 2001-02 from the original budget is due to insurance monies from the December 2001 bushfires, and the introduction of Australian Accounting Standard 35 (AAS 35) which came into effect 30 June 2001. The standard relates to the revaluation of self-generating assets such as forestry plantation stock. The decrease of $2.707m in the 2002-03 Budget from the 2001-02 estimated outcome is mainly due to a reduced increment in the value of the standing timber of $3.4m, offset by insurance monies recoverable for the December 2001 fires of $1.1m;
- employee expenses: the increase of $0.564m in 2001-02 from the original budget is due to an increase in staff redundancies from the budgeted level of 10 to 23. The decrease of $1.219m in the 2002-03 Budget from the 2001-02 estimated outcome is attributed to the one-off nature of the redundancy costs associated with ACT Forests’ restructure;

- administrative expenses: the decrease of $0.313m in 2001-02 from the original budget is due to reduced log production from ACT Forests' estate offset by increased expenses for site rehabilitation following the December 2001 bushfire. The decrease of $0.581m in the 2002-03 Budget from the 2001-02 estimated outcome is due to one-off costs associated with fire related site rehabilitation costs;
- injection for operating requirements: the increase of $0.3m in 2001-02 from the original budget is due to restructuring costs being brought forward with staff separating earlier than anticipated; and
- capital injections: the increase of $0.403m in 2001-02 from the original budget is attributed to a one-off cash injection received from DUS to assist with the ACT Forests restructure.

Statement of Financial Position

- current receivable: the increase of $2.280m in 2001-02 from the original budget is principally due to the net insurance recovery receivable from the December 2001 fires;
- current and non current inventories: the decrease of $79.995m in 2001-02 from the original budget is largely due to the reclassification of standing timber from inventories to other assets in accordance with accounting standards AAS 35;
- current and non current other assets: the increase of $82.482m in 2001-02 from the original budget is due to the reclassification of standing timber from inventories to other assets in accordance with accounting standards AAS 35. The increase of $1.0m in the 2002-03 Budget from the 2001-02 estimated outcome is attributed to an anticipated increase in the current value of the standing timber valuation; and
- current and non current employee entitlements: the decrease of $0.709 in 2001-02 from the original budget is due to the increase in staff separation from ACT Forests associated with the ACT forest restructure.

Changes to Appropriation

Changes to Appropriation - Departmental

Government Payment for Outputs	2001-02 Est. Outc. $'000	2002-03 Budget $'000	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
2001-02 Budget	**0**	**0**	**0**	**0**	**0**
Reallocation of injection for operations	0	90	90	90	0
2002-03 Budget	**0**	**90**	**90**	**90**	**0**

Changes to Appropriation - Departmental

Capital Injection	2001-02 Est. Outc. $'000	2002-03 Budget $'000	2003-04 Estimate $'000	2004-05 Estimate $'000	2005-06 Estimate $'000
2001-02 Budget	**1 290**	**450**	**450**	**450**	**450**
Restructuring funding	300	- 360	- 360	- 360	- 360
Reallocation of injection for operations	0	- 90	- 90	- 90	- 90
2002-03 Budget	**1 590**	**0**	**0**	**0**	**0**

OUTPUT CLASS 1: FORESTRY SERVICES

PRINCIPAL MEASURES

OUTPUT 1.1: FORESTRY SERVICES

Description: ACT Forests manages 26,900 hectares of forest including 16,200 hectares of pine plantation and is responsible for conducting a viable commercial forest operation on a sustainable basis. It manages non-plantation areas for conservation and heritage purposes and provides a diverse range of recreational opportunities for the community.

Measures	2001-02 Targets	2001-02 Estimated Outcome	2002-03 Target
Quantity			
Volume of logs sold under long-term supply agreements [1]	120 000 m^3	108,000m^3	-
Volume of logs sold under short term sales [1]	30,000 m^3	25,000 m^3	-
Volume of logs sold under log supply agreements [1]	-	-	160,000 m^3
Area of unplanted available productive land [2]	-	-	364 ha
Target planting program achieved [3]	500 ha	323 ha	1 070 ha
Target non commercial thinning achieved [4]	600 ha	-	-
Number of major recreational nodes serviced [5]	21	21	-
Number of recreational sites upgraded [5]	5	5	-
Number of public use events facilitated [5]	400	160	-
Number of booked visitor days [5]	40, 000	34,000	-
Area treated for environmental weeds [6]	1,000 ha	1,000 ha	600 ha
Area treated for wildling pines [7]	120 ha	450 ha	120 ha
Number of management plans under preparation for heritage sites	4	4	4
Number of person days spent on fuel management activities [2]	-	-	50
Quality/Effectiveness			
Survival rate of previous year's plantings	85%	92%	85%
Percentage of logs accepted by customers	99%	99%	98%
Percentage of agreed saw log quotas met	95%	91%	95%
Percentage of planned fuel management activities implemented [8]	60%	90%	-
Percentage of monitored water samples within specification[1]	90%	90%	90%
Timeliness			
Ministerials answered on time [5]	100%	100%	-
Preparation of annual fuel management works program [2]	-	-	September 2002
Preparation of 2003-04 harvesting plan [2]	-	-	April 2002

Measures	**2001-02 Targets**	**2001-02 Estimated Outcome**	**2002-03 Target**
Percentage of site preparation completed by 30 April	90%	96%	90%
Completion of annual environmental audit report [9]	31 March 2002	April 2002	February 2003
Forest Management Plan completed [2]	-	-	June 2003
Cost			
Timber Harvesting and Marketing	$7 839 391	$9 137 000	$8 653 000
Plantation Management Operations [10]	$2 998 148	$3 292 900	-
Plantation Management and Planning [10]	-	-	$2 378 000
Community Service Obligations [11]	$1 654 168	$1 245 000	$1 245 000
Forest Planning [12]	$728 043	$436 516	-
Regional Forestry [13]	$644 500	$8 601	-
TOTAL COST ($'000)	**$13 864.0**	**$14 120.0**	**$12 276.0**

Notes

(1) Measures replaced with the new measure "Volume of logs sold under log supply agreements".
(2) New Measure.
(3) The estimated 2001-02 outcome reflects that the planting program was severely constrained by dry winter conditions. The increased target for 2002-03 is due to ACT Forests addressing the existing back log of unplanted areas including the 500 hectares destroyed in the December 2001 bushfires.
(4) Measure discontinued as non commercial thinning is no longer undertaken. The 2001-02 estimated outcome reflects the development of a market for pulpwood in November 2001, which has negated the need for non commercial thinning on most sites.
(5) Measure discontinued.
(6) A reduction is anticipated compared to previous years following a review of necessary works for 2002-03.
(7) ACT Forests developed a 6 year plan for the treatment of wildling pines, the first year being 2001-02. The 2002-03 target reflects the treatment of more heavily infested areas of wildling pines.
(8) Exceptional seasonal conditions resulted in an increase in fuel management activities. Measure to discontinue in 2002-03.
(9) Completion date for the environmental audit report was extended to 14 April 2002 by the Environment Protection Authority to allow the audit methodology to be jointly agreed. The 2002-03 audit will be complete on 28 February 2003.
(10) The cost measure "Plantation Management Operations" has been replaced with the measure "Plantation Management and Planning", costing methodology altered to improve output reporting.
(11) The 2002-03 target reflects an updated costing methodology, and now only includes costs for which ACT Forests is funded for by the ACT Government.
(12) Measure discontinued, Forest planning activities have been incorporated into the "Plantation Management and Planning" and "Timber Harvesting and Marketing" cost measures.
(13) Measure discontinued, site preparation services were not required by South Resources in 2001-02. Regional forestry activities have been incorporated into the "Plantation Management and Planning" and "Timber Harvesting and Marketing" cost measures