



THE NATIONAL  
FOREST

National Forest Company

Annual Report & Accounts 2013 > 14

HC 97

# **National Forest Company Annual Report and Accounts 2013-14**

Presented to Parliament pursuant to Article 6  
of The Government Resources and Accounts Act 2000  
(Audit of Non-profit-making Companies) Order 2009.

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The National Forest Company leads, with partners, the creation of The National Forest, a regenerated, wooded landscape across 200 square miles of central England.

Since the inception of the Forest, 9,941 hectares of woodland and other habitats have been created and forest cover has trebled to nearly 20% of its 200 square miles.



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The National Forest Company was established by Government in 1995. The company is limited by guarantee (registered number 2991970) and sponsored by the Department for Environment, Food and Rural Affairs (Defra).

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## > The Chair's Foreword

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Last year we reported on local and national successes for the Forest. This year, similarly, we have seen important developments both around us on the ground and also in a national vote of confidence in the Forest as one of the country's most ambitious forestry, landscape and regeneration projects.

### Boots on

The Chief Executive's highlights of 2013 – 2014 follow on page 4. I would like to mention just one major undertaking this year: to prepare, with volunteers and County Council partners, the route of the National Forest Way. From May 2014 it is time to lace up our boots and explore part or all of this varied and accessible 75 mile route, across a working but beautiful slice of England. By the time I write my piece for next year's report I expect to have walked it and I hope you might have done so too. We are most grateful for the time and resources from so many individuals and organisations which have made this latest addition to the Forest possible.

As the lead sponsor for the National Forest Way, Fisher German is an inspiring example of supporting the next generation of activity in the Forest. Making the most of the asset we have created is now absolutely central and Fisher German are terrific allies in making this happen.

### Government support into the new decade

A significant vote of confidence in The National Forest and the leadership of the National Forest Company was received in the conclusions of our Central Government Triennial Review. It asked whether the function of the National Forest Company, to lead the creation of a multipurpose forest for the nation, was still required and, if so, whether the National Forest Company was still suitable to perform that function. To both questions the answer was yes. The fact that both local and national partners endorsed the need for the work to continue is enormously encouraging.

The review helpfully encourages the National Forest Company to achieve charitable status and we will be pursuing this. Relatedly, it also suggests increasing local representation, which will complement the predominantly national expertise of our current governance arrangements. Again, we will be responding to this: the Forest will depend upon strong local involvement and accountability in the next decade.

### 2014 – 2024: a refreshed vision

The National Forest's strategy for the decade to come will be published in June 2014. Shaped by the ambition and commitment of all those who take inspiration from The National Forest, it will lay out a refreshed vision and direction of travel towards a robust and sustainable future. There are many unknowns, but we know that the decade will include new ways of working, new business models and new partnerships to enable the National Forest Company to move to independence from Government by 2024, a further outcome of the Triennial Review. The Forest will continue to mature beyond that point.

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Our aim for the next decade is simple and compelling: to make the most of the investment to date, in every way, and to secure The National Forest for future generations.

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My warm thanks to our Defra team members who have continued to give us thoughtful support in spite of the growing demands on their time; to the Triennial Review team for their helpful and positive challenge and to my fellow Directors for their interest, support and wise counsel. Finally, my admiring and appreciative thanks to every member of the staff team: I continue to be impressed by how much a small team, so ably led by our outstanding Chief Executive, Sophie Churchill, can achieve, working with a wide range of committed partners.



Catherine Graham-Harrison OBE  
Chair





### **From the National Forest Company Triennial Review 2013**

“ Responses from stakeholders demonstrated that the NFC is highly valued for its record of delivering Government priorities and is well respected by its partners. There was a very clear view from consultation that the NFC’s role in establishing strong relationships with many partners to deliver its range of objectives has been vital in the progress achieved to date.

Many stressed the need for the continued role of the NFC to maintain momentum and ensure that the long term aims for The National Forest are achieved. The importance of a ‘truly sustainable landscape scale project’ was stressed, with the need for continued objectives across a wide agenda including economic growth, woodland culture and habitat networks. ”

## > Chief Executive's Review of the Year

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I hope you find this report a succinct and readable account of The National Forest 2013 – 2014. It is based on the National Forest Company's business plan for the year, which in turn delivers the 2004 – 2014 National Forest strategy. By way of summary, I underline these aspects of the year:

- Forest creation, at 149ha, held up well despite tight conditions and a lower budget than 2012 – 2013. Invention paid dividends in the range of schemes, including parkland.
- The appetite for woodland management amongst the many and varied landowners of the Forest was proven. A forest and woodland management programme now in place will meet national targets for 2018 and also deliver a much wider enhancement of visitor sites. There is more to do to ensure access to markets for first thinnings but there are hopeful signs.
- Local enthusiasm for making the most of woodland sites has been very evident, including in the Heart of the Forest, which has enjoyed the development year of a Heritage Lottery Fund programme. New work with people at risk of exclusion is good to see at various sites within the Forest. Community woodfuel projects will have economic as well as social and environmental return.
- Business sponsorship is gradually diversifying from tree planting to other projects, which reflects the journey of the Forest.
- Research has confirmed the potential of the visitor and woodland economies going forward and we will build on this with partners, to deliver a National Forest Investment Programme for the next decade.

- Nationally, the new Common Agricultural Policy will bring new grant regimes. Grown in Britain aims to engage the private sector further in forestry. The National Forest is a pioneer of both effective grant regimes and developing a market for woodlands and all their products, economic, environmental and social. There is much to go at in the next few years.



The 'how' of our working lives is often as significant as the 'what' of our achievements. As ever, the passionate professionalism of my team lies behind this report, my privilege to witness on a daily basis and echoed in the wider contributions of our many friends and colleagues. The Forest and its communities inspire and reward us in equal measure. We aim each year simply to do it justice.

*Sophie Churchill*

Sophie Churchill OBE  
Chief Executive/Accounting Officer





## The national contribution

The success of The National Forest depends absolutely on its local impact and whether the people it serves feel the difference it makes to their lives. The Triennial Review confirmed local support.

Additionally, as a national exemplar of multipurpose forestry near where people live, it is important it contributes to national policy, thinking and practice.

In 2013 – 2014 the Forest was involved in the following national activity:

- Grown in Britain: NFC supports Grown in Britain's work to enable more corporates to contribute to forestry. NFC CEO is on the Grown in Britain Board.
- Future Trees Trust: NFC contributed to policy work on resilient species.
- Ash dieback decision chart published online.
- VisitEngland promoted The National Forest as an emerging destination within its outdoor national theme.
- Contributed to Council for National Parks Landscape Policy seminar.
- Keynote address on Woodland Culture at national Community Forests annual conference.
- CEO Vice President, Royal Forestry Society.



## > Creating a forest for the nation



Forest sites were created in 2013 – 2014 where they are cost-effective and clearly contribute to biodiversity, landscape, economic and public access goals. We planted native broadleaf with conifer, carefully selected in relation to tree health, alongside other habitats which will be an integral part of the forested landscape and ecosystems.

Bad weather, expensive land and simply the amount of sites already planted all made for challenges in meeting an ambitious target. But tenacity paid off and we succeeded through a range of schemes including parkland, offering scattered trees of great landscape value, and deploying our main grant programme to engage business in afforestation.

Planning and green infrastructure remain very important elements for the Forest but this year relatively little came forward.



Looking forward, an inventive, varied approach will be even more necessary and creation will be linked more and more strongly to connecting up habitats within a forested landscape. The National Forest is part of national research which will shape future decisions on the amount, location and nature of further forest creation. By 2019, the outcomes of this research will shape how much and what kind of further forest creation is needed to establish a resilient forested landscape with the ecological benefit achieved on a large scale.

Ash dieback in the Forest is a source of sadness and concern. National advice is being followed on biosecurity and sourcing of stock. No ash is being planted and there is minimal intervention in infected woodlands. We hope to see resilient specimens survive and that national breeding programmes will be effective. We welcome the collaborative and evidence-based national response to the disease.

The National Forest Company participates in two Local Nature Partnerships and is committed to the integration of the natural environment with the economic growth agenda of the Local Enterprise Partnerships.

### Targets

135 – 150ha of new forest sites.  
**Achieved. 149ha.**

45ha of biodiversity gains from non-wooded habitat.  
**Exceeded. 60ha including supporting community owned woodland.**

180ha of new / planned public access secured.  
**Exceeded. 243ha.**

#### Images:

Parkland restoration at Grangewood Hall (photo: J Rock)

Short-eared owl at Hicks Lodge (photo: M Vaughan)

Arts project, grant-aided by NFC, exploring the idea of 'protection' using the material that safeguards newly planted trees (photo: G8 Artists)



**Image:**  
The growing Forest at Dunstall – Round 7 Tender  
Scheme, planted 2001-02 (photo: J Rock)

## > A sustained and systematic forest and woodland management programme

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Into the future The National Forest must become as renowned for the quality and value of its sites as it has been for their creation. In 2013 – 2014 we made rapid progress in initiating an essential, long-term management programme to ensure all sites fulfil their potential. This includes non-wooded habitats and the ‘furniture’ of sites as well as silvicultural activity: it is a comprehensive programme the results of which will be obvious to a walker or visitor as well as to a forester or ecologist.

The Forest’s concentration of woodlands with multiple land ownerships presents a uniquely complex challenge but we have found landowners receptive to advice and support. Management plans are likely to indicate good management of the woodland into the future and are being strongly promoted.

There are signs of a healthy market for first thinnings and where possible we will enable landowners to access this. Meanwhile an early grant programme has funded a variety of work including grey squirrel control, fence removal, coppicing and ride widening. The programme got underway in the course of the year and targets will be built up in subsequent years.

Looking forward, we want to build a collective culture of woodland management, supported by strong demand for wood products and a growing expertise across all landowners of the Forest. The successful Triennial Review gives us the continuity to embed this over the next decade.

Whilst community engagement is always of value for social reasons, it can also provide genuine contributions to woodland management through well-designed community woodfuel projects and this has been tested successfully through the Heart of the Forest’s Heritage Lottery Fund (HLF) programme.

Public education on why works, including felling and protecting tree health, are taking place will be an important component of the programme.

### Targets

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40 landowners receiving inspections and advice, including for pests and diseases  
**Exceeded. 54 achieved.**

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12 new sites with management plans.  
**Exceeded. Forest-wide audit undertaken, 82 woodland and other sites with management plans.**

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200 landowners engaged in Woodland Owners’ Club.  
**In progress and to an extent exceeded, in that 252 members were contacted with communication on Ash dieback. However, we will be seeking to deepen this engagement, for example to enable collaboration around first thinnings and pest control.**

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Images:

Coppicing of shrubs to allow more light onto the woodland rides at The Woodland Trust’s site, Coton Wood

Volunteers managing their local woodland for firewood in the Heart of the Forest (photo: C Conway)



## National Forest targets for woodland management to 2018

The National Forest management programme aligns with the national ambition of increasing to approximately two thirds by 2018, from around a half, the amount of woodlands being actively managed in accordance with the UK Forestry Standard. We calculate that to meet this we need to achieve the following:

- 200 woodland management advisory visits to landowners
- 90 Forest sites with management plans
- 1,200 hectares of young woods into management
- 280 additional hectares of mature woods into management
- 10 demonstration sites showcasing best practice
- 12 new sites involving community management of woodlands

## > A woodland culture: encouraging practical engagement and wider understanding of woodlands



The National Forest is the perfect setting in its scale and variety to bring woodlands into more people's lives, in a range of ways. This includes active engagement in woodlands, by residents and those at risk of exclusion, amongst others.

Both nationally and at local level how we track engagement and wider understanding needs further development. A 'revitalised woodland culture' is a national policy objective without a measurement framework at present. The National Forest will aim to be a place where it can be understood, monitored and driven forward.

There is a danger that commercial forestry and the market for timber are seen as very separate from a woodland culture, which is sometimes characterised as 'whittling and carving'. In fact, all forestry involves a market of some sort, even if not financial, and a 'woodland culture' enables more products of all kinds to be exchanged, bought and sold, as well as opportunities for health, community and well-managed woodlands.

In 2013 – 2014 we were able to begin an intensive programme of engagement in the Heart of the Forest through the development year of the Heritage Lottery Fund 'Black to Green' project with the Heart of the Forest Forum, mentioned previously in relation to community woodfuel, but also supporting a wide range of engagement around industrial and natural heritage. Regular woodland work by community groups is underway at nine sites.

### Targets

20,000 adults taking an active role in the Forest.  
**Exceeded. 21,900.**

38,000 adults and children taking part in environmental education.  
**Exceeded. 38,200.**

15% of participants from communities at risk of exclusion.  
**Exceeded. 16.4%.**

Public engaged in woodland management, particularly through building community stewardship of woodlands.

**13 meetings held with community groups at their woodland sites, regular woodland work underway at 9 of those.**



Images:  
HLF funded 'Black to Green' project  
development year activities:  
Animal care students from Stephenson's  
College making bird boxes  
Active engagement in a community  
wood-fuel event at Sarah's Wood



**Image:**  
Paige McWilliams, a ranger at the Grange Nature Reserve where young people, previously labelled as 'at risk', work to significantly improve their local environment (photo: Duckrabbitt)

## > Economic growth: the impact of the Forest brand



The economic impact and potential of The National Forest was confirmed in 2014 with an assessment highlighting the value of the visitor economy, the continuing population growth of the Forest, the diversification of its economy and the combined economic and environmental value of the woodland economy.

The brand is increasingly recognised and, looking ahead, another phase of investment in infrastructure, promotion, enterprise support and skills will be secured.



### Economic impact and potential of The National Forest

- 10m visitor days by 2024, a 25% increase on 2012: steady, sustainable growth.
- 64 FTE jobs in the woodland economy by 2030, with more training and skills opportunities in addition.
- Full-time equivalent jobs in visitor economy, leisure and recreation, currently c5,800, to rise by 40% to 2020, reaching c8,000 by 2025.
- Population of over 250,000 expected by 2030 compared with 196,000 at the outset of the Forest.
- £1bn worth of investment in and around The National Forest since 2001.
- 2,650 more houses delivered in three main authorities than the average for 2004 -2011.



### Targets

Prepare for National Forest Way opening Spring 2014.  
**Achieved. National Forest Way predicted to add economic value through accommodation, food, services to walkers and ancillary visits.**

Promote woodland economy through management work, Wood Fair and woodlands products and services website:  
[www.nationalforest.org/woodproductsandservices](http://www.nationalforest.org/woodproductsandservices)  
**Achieved. Wood Fair returned c£6k profit. Success of management programme preparing landowners for extraction of woodland products. Increasing use of the woodland products website.**

Visitor numbers sustained and progressively grown.  
**Partly achieved in the bad summer of 2012, (timelag in figures, not available for 2013) with day visitors down 6% but overnight visitors up by 27%. Successful collaboration with VisitEngland 2013 – 2014 broadened the national reach of the Forest.**

Promote the National Forest brand and logo.  
**Achieved. 168 licences for the logo in 2014 compared with 149 in 2013.**

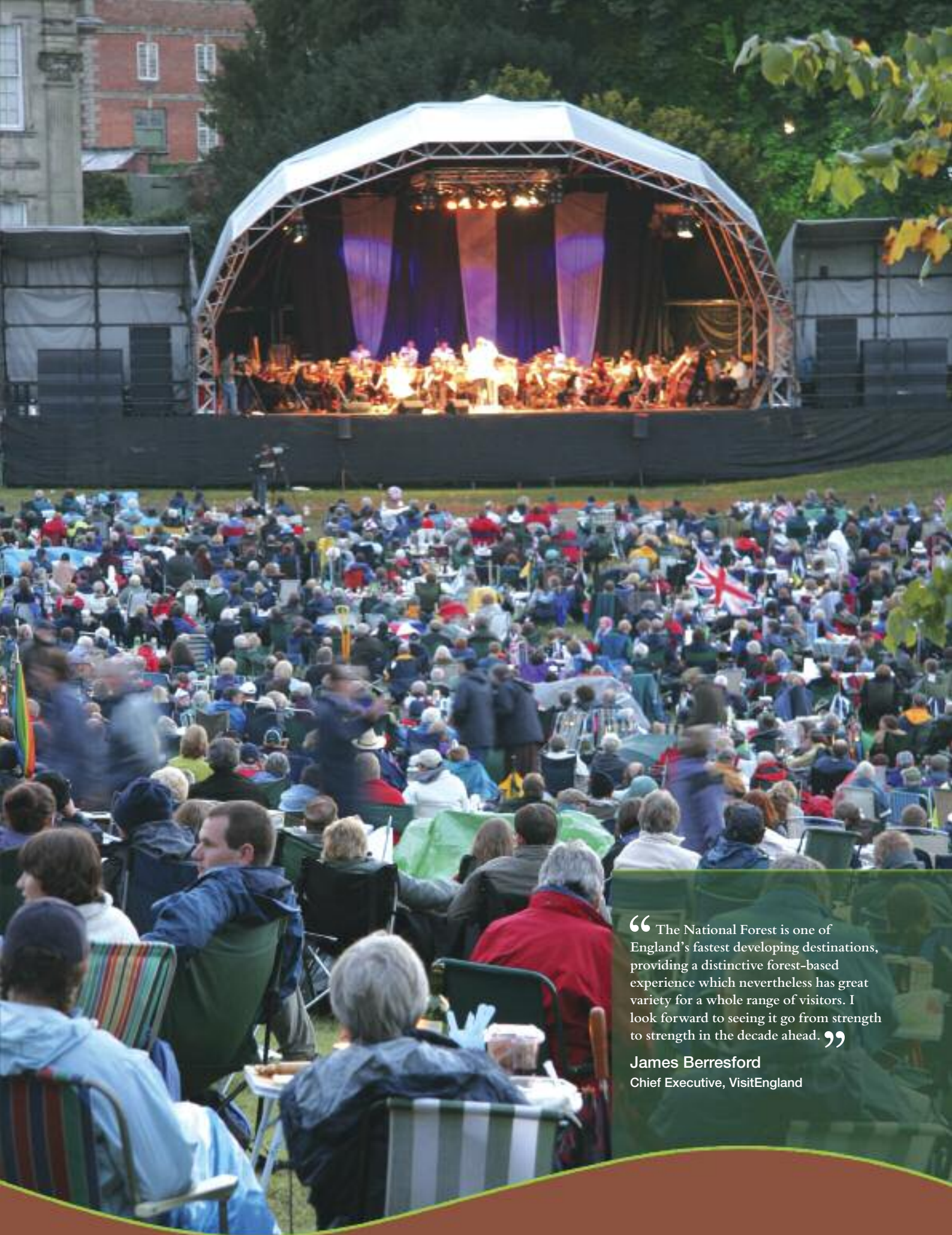
Engage with Local Enterprise Partnerships.  
**Achieved. The National Forest recognised as a potential investment area and local partners considering a cross-LEP investment programme. To be developed 2014 – 2015.**

#### Images:

Members of Melbourne Footpaths Group help with route works along the National Forest Way (photo: B Thomas)

Swadlincote Farmers' Market (photo: South Derbyshire District Council)

Urban planting: Winshill Peace Wood, dedicated to local war hero William Coltman, grant-aided by NFC (photo: Landscape By Design Ltd)



“ The National Forest is one of England’s fastest developing destinations, providing a distinctive forest-based experience which nevertheless has great variety for a whole range of visitors. I look forward to seeing it go from strength to strength in the decade ahead. ”

**James Berresford**  
Chief Executive, VisitEngland



➤ The future: sustainable organisational, funding and governance arrangements, growing the Forest's national exemplar status



The National Forest seeks to be sustainable and exemplary in every respect, enjoying a sound future based on good marshalling of resources and its organisational arrangements. The Triennial Review sets out the clear benefits of becoming a charitable NDPB, working towards independence from Government by blending the best of public service with not-for-profit principles and an entrepreneurial style. This will be progressed in the coming year. We will invest in our fundraising and income generation capacity.

This year we secured new business partners in Holland and Barrett as well as celebrating long-term sponsors such as Lex Autolease.

The national contribution is reported on page 5.



**Targets**

Business partnerships £130k - £180k. **Achieved. £139k.** Alongside traditional support for forest creation, sponsors are increasingly enabling other projects, such as Fisher German with the National Forest Way and Vitax with the Wood Fair.

An exemplary Triennial Review process. **Achieved.** Good collaboration between NFC and Central Government resulted in a timely and proportionate review.

Strategy 2014 – 2024 agreed with Defra. **In progress.** Agreed in-year that strategy would be published Summer 2014.



Images:  
PHS Direct team building crates to protect parkland trees at Cadborough Hill Wood, Overseal (photo: J Rock)  
Woodland crafts as demonstrated at National Forest Wood Fair (photo: B Walsh)  
Walking at Staunton Harold (photo: J Rock)  
Snowdrops (photo: J Rock)

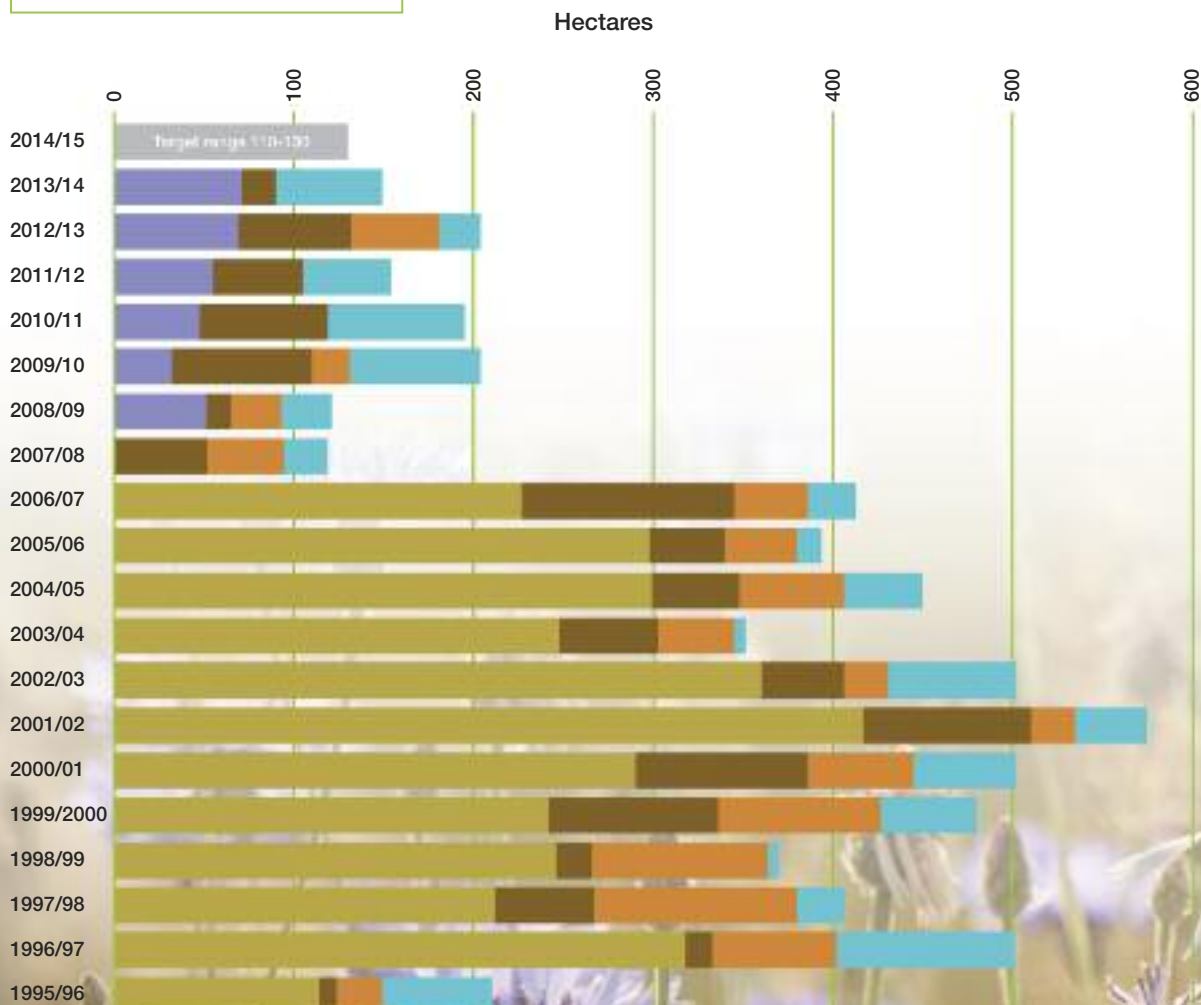
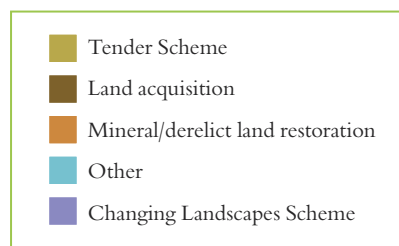


Image:  
Holland and Barrett volunteers tree  
planting in the spring at Nanpantan  
(photo: J Rock)

## > Growing Achievements

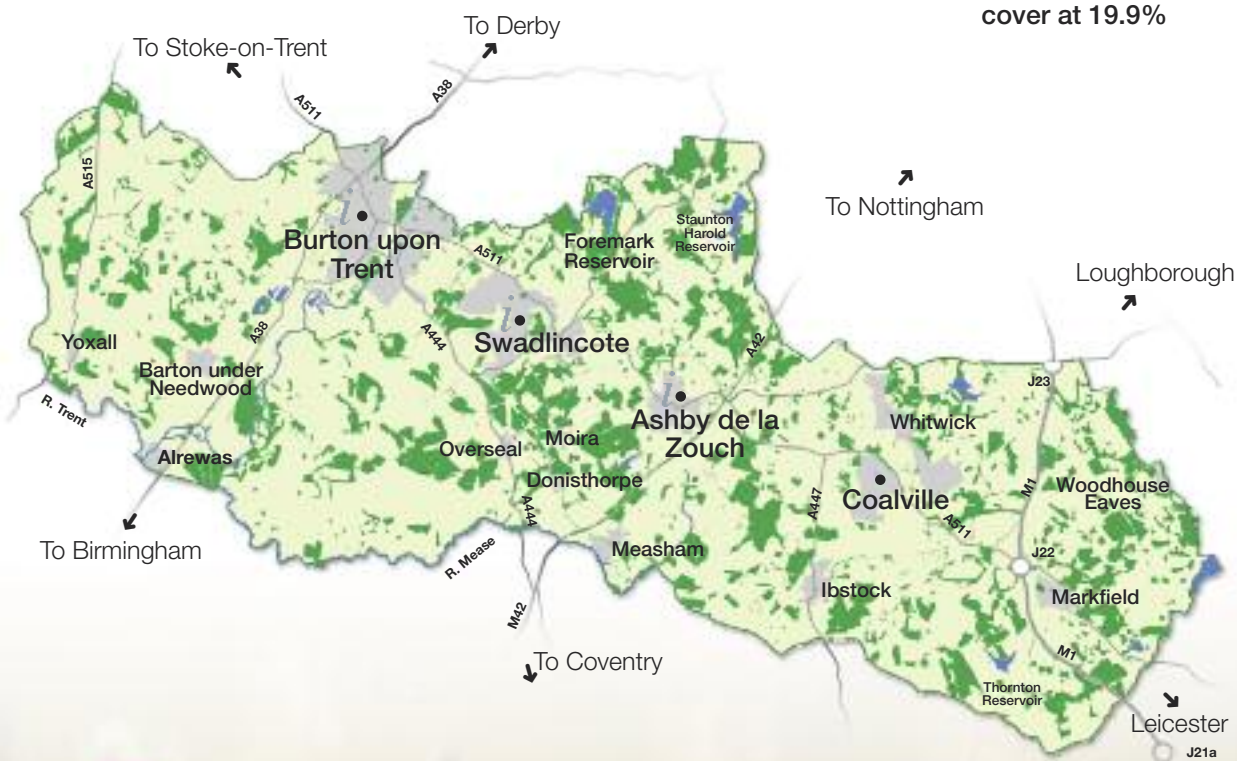


### Forest creation year on year



# Growing Achievements (continued)

The National Forest at 31 March 2014 with woodland cover at 19.9%



Pre National Forest woodland cover 1991



# Board of Directors

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## 1) Catherine Graham-Harrison OBE (Chair)

Catherine is a Board Member, Natural England and Chair of Architectural Panel, National Trust.

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## 2) Sophie Churchill OBE (Chief Executive)

Sophie is a Trustee of the National Forest Charitable Trust, Chair of TREE AID and Vice President of the Royal Forestry Society.

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## 3) Roger Clarke

Roger is Chair, Friends of the Earth. He is a Non-Executive Director of The Conservation Volunteers and Woodbrooke Quaker Study Centre and Vice Chair of Practical Action.

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## 4) Tony Hams OBE

Tony is Chair, Derbyshire Wildlife Trust and Chair, East Midlands Biodiversity Partnership. He is a member of the National Trust's Advisory Board for the Midlands Region and of its national Natural Environment Panel. He is also Chair of the National Trust's regional Sustainability, Performance and Acquisition Group. Tony is a member of the Wildlife Trusts for England National Council and Board member of the Lowland Derbyshire and Nottinghamshire Local Nature Partnership.

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## 5) Christopher Holmes

Chris is Director of On Target Consulting Ltd.

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## 6) Brian Mahony MBE

Brian is a Non-Executive Director of Soil Association Certification Ltd.

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## 7) David Nicholls

David is Environment Officer, Leicestershire County Council. He is also Chair and Company Secretary of Naturespot Ltd.

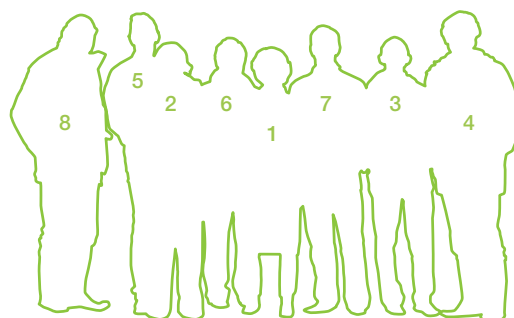
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## 8) \*Robin Pellew OBE

Robin is an independent conservation/heritage consultant. He is Chairman, Cambridge Past, Present and Future.

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\* Term of office expired on 31 March 2014



# Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

## Principal activities

The National Forest Company (NFC) is a company limited by guarantee (registered number 2991970), established on 1 April 1995, as a Non-Departmental Public Body (NDPB) funded by the Department for Environment, Food and Rural Affairs (Defra). Its remit is to oversee the implementation of the Government approved Forest Strategy for the creation of The National Forest located in central England.

## Funding

Grant in aid is paid to the Company under Section 153 of the Environmental Protection Act 1990.

The grant in aid budget allocation for 2013-14 was £2.855 million, excluding a depreciation allowance, representing a 5% reduction compared with 2012-13.

The allocation for 2014-15 is reduced by a further 10% to £2.571 million with indication given that, due to pressures on Defra budgets, expenditure commitments should be restricted to 98.1% of this. Final confirmation of the budget will be given later in 2014-15.

## Triennial Review

During 2013-14 the NFC was the subject of a Triennial Review overseen by Defra's Triennial Review Steering Group. The review concluded that the functions of the NFC are still necessary, that it remains the right body for delivering them and that it should remain as an NDPB.

A recommendation arising from the review was that there should be a staged progression towards independence of the NFC from Government with the aim being that this should be achieved by the end of the next Forest Strategy period in 2024. This will necessitate the NFC utilising wider funding sources and securing charitable status. Work has been undertaken in 2013-14 to progress these options and will continue in 2014-15.

## Business review

Priorities and objectives for 2013-14 were detailed in the Business Plan agreed by the NFC Board and approved by Defra. These were consistent with the achievement of goals set out in the National Forest Delivery Plan 2009-2014 and reflected Defra Ministerial priorities.

Activity for the year included:

- 149ha of new forest creation secured, within the target range of 135 -150ha. Woodland cover across the Forest at the end of March 2014 was 9,941ha which equates to 19.9% of the area;
- 60ha of nature conservation sites created or brought into management (target 45ha);
- 243ha of new and/or planned public access secured (target 180ha);
- implementing a sustained and systematic forest and woodland management programme which has included site inspections, advice to landowners and introduction of a new woodland management grant scheme;
- completing works relating to the National Forest Way long distance trail to be officially launched in May 2014;
- securing funding from Heritage Lottery Fund (HLF) for a development year preparatory to a full bid, which has resulted in programmes of volunteering and engagement in woodland management in the Heart of the Forest, linked with the industrial and natural heritage of the area;
- community engagement programmes involving tree planting, woodland management, healthy living initiatives, volunteering and arts related activities;
- delivery of the National Forest & Beyond visitor campaign which included production of the 2014 visitor guide in a new magazine-style format and engagement in a new 'active outdoors' campaign commissioned by Visit England, and
- £189,714 income generated from donations/sponsorship (2012-13: £178,391).

Appendix A provides a summary of the main achievements during the last five years.

## Future developments

Looking ahead, the new Forest Strategy covering 2014-2024 will be launched in June 2014. The objectives from this will inform activity to be undertaken in 2014-15 which will be set out in the 2014 Business Plan to be agreed by the NFC Board and approved by the Minister. Activity in 2014-15 will include:

- securing a further 110 - 130ha of new forest creation whilst further embedding a sustained and systematic forest and woodland management programme aimed at ensuring the long term sustainability of the Forest;
- creating 120ha of public access and 20 - 30ha of biodiversity gains from non-wooded habitats;
- participation in a partnership research project with Natural England and universities to develop a vision for the completed forested landscape;
- launching and promoting the National Forest Way;
- working with Leicestershire County Council on the organising of the 10th anniversary National Forest Wood Fair;

# Report of the Directors (continued)

- completing phase 1 of the HLF funded 'Black to Green' project and submitting the stage 2 application;
- securing further public engagement in woodland management, building community stewardship of woodlands;
- generating further income beyond grant in aid, and
- organisational evolution to fulfil the requirements of the Triennial Review.

## Land Acquisition and Disposal

The Company is permitted to acquire land, in accordance with its Land Acquisition Policy agreed with Defra, where it will secure significant National Forest objectives and represents good value for money. The terms of the policy allow for the NFC to hold up to a maximum of 300ha of land at any time. This limit may be exceeded with the agreement of Defra. At the end of March 2014 NFC landholdings totalled 238ha (31 March 2013: 223.1ha).

In March 2014, the NFC completed the acquisition of 15ha of land at Ratby. There were no disposals during 2013-14.

## Research and Development

During the year £119,558 was spent on research (2012-13: £39,031) with the main areas of activity being:

- consideration of future governance options for overseeing The National Forest;
- gathering evidence and undertaking research relevant to the production of the forest strategy for 2014-2024;
- researching opportunities for securing new income streams from the Local Enterprise Partnerships (LEPs);
- annual statistical analysis of the economic impact of tourism on the Forest area and woodland ecological networks research project.

## Sustainability performance

The NFC is committed to developing sustainable ways of carrying out its business. The Sustainability Report (Appendix B) provides information on the Company's environmental impacts.

## Losses, special payments and gifts

The Company did not write off any losses or make any special payments or gifts during the year.

## Payment of Creditors

The standard term of payment for supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations.

However, the Company aims to pay undisputed invoices within 5 days and 64% have been paid within this timescale (2012-13: 61%); 89% were paid within 10 days (2012-13: 91%). No claims were received during the year from suppliers for late payment of invoices under The Late Payment of Commercial Debts (Interest) Act 1998.

## Consultation with Employees

The Company's pay and grading arrangements applied throughout the year were analogous to those of its sponsor Department. No consultation was therefore required with staff as regards the annual salary review. As a result of applying the terms of the salary review negotiated within core-Defra, staff at Grade 6 or below employed by the NFC received a 1% salary increase in July 2013, as was the case in 2012.

The Company consults with all staff on operational matters and in the formulation of policy and targets. During the course of 2013-14 staff have been involved in the development of the new forest strategy for 2014-24 and kept informed of discussions on future organisation and governance of The National Forest.

## Sickness absence

Staff absence due to sickness equated to an average of 3.7 days per employee during the year (2012-13: 1.4 days).

## Equal Opportunities

The Company is an equal opportunities employer. It is committed to a policy of non-discrimination on grounds of sex or marital status, sexual orientation, health (including pregnancy), disability, age, religion, colour, race, nationality or ethnic or national origin. Staff are required to observe this policy of non-discrimination in their dealings with members of the public and colleagues at work. All new staff are appointed on the basis of ability, qualification and suitability for the post.

## Gender Diversity

The gender split of Directors and staff employed as at 31 March 2014 was as follows:

	Male	Female	Total
Directors, including Chief Executive	6	2	8
Staff	9	9	18
Total	15	11	26

## Results for the year

The deficit (i.e. total net comprehensive expenditure) for the year before accounting for the receipt of revenue grant in aid amounted to £2,321,201 (2012-13: deficit of £2,781,186).

# Report of the Directors (continued)

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## Directors

The Directors of the Company as at 31 March 2014 and their initial appointment dates are as follows:

Sophie Churchill	1 February 2006
Roger Clarke	1 April 2011
Catherine Graham-Harrison	1 April 2011
Tony Hams	1 April 2010
Christopher Holmes	1 April 2013
Brian Mahony	1 April 2013
David Nicholls	1 April 2010
Robin Pellew	1 April 2007

## Auditors

Mazars LLP were engaged to provide internal audit services to the NFC during the 2013-14 financial year.

The Comptroller and Auditor General is the statutorily appointed auditor of the Company's financial statements.

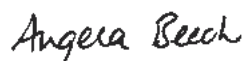
The fee for the audit of the financial statements in 2013-14 was £12,500 (2012-13: £13,000). No other fees were paid to the Comptroller and Auditor General in 2013-14 or 2012-13.

## Website

The Annual Report and Accounts will be made available on the National Forest website [www.nationalforest.org](http://www.nationalforest.org)



Sophie Churchill OBE  
Chief Executive/Accounting Officer



Angela Beech  
Secretary  
13 May 2014



# Remuneration Report

The NFC Board has agreed that it is not necessary for the Company to have a Remuneration Committee.

The average number employed and remuneration of the Executives and Non-Executive Board Members in post during 2013-14 is detailed in Note 2.1 to the Accounts.

## Remuneration of Non-Executive Board Members

Non-Executive Directors are appointed by Defra following approval of their appointment by the Minister responsible for the Company. Appointments are made in line with the Code of Practice issued by the Commissioner for Public Appointments. Directors are appointed for an initial three year term of office which may be extended.

Remuneration of Directors accords with senior civil service pay arrangements. Salaries are reviewed annually on 1 April, with any uplift being linked to the recommendations of the Senior Salaries Review Body and any directives and guidance issued by the Government. No increase was applied with effect from April 2013. The last increase was applied in 2009.

All Directors receive their remuneration through the NFC payroll with no off-payroll arrangements in place.

### Emoluments of Chair (this information is subject to audit):

The Chair is remunerated on the basis of working 40 days a year.

Name	Contract Expiry Date	2013-14		2012-13	
		£ Expenses	£'000 Remuneration	£ Expenses	£'000 Remuneration
Catherine Graham-Harrison	31 March 2016	1,200	10 - 15	1,600	10 - 15

\*Expenses are shown to the nearest £100.

### Emoluments of Non-Executive Directors (this information is subject to audit):

Non-Executive Directors are remunerated on the basis of working an average of one day per month.

Name	Contract Expiry Date	2013-14		2012-13	
		£ Expenses	£'000 Remuneration	£ Expenses	£'000 Remuneration
Roger Clarke	31 March 2016	400	0 - 5	100	0 - 5
Tony Hams	31 March 2016	400	0 - 5	600	0 - 5
David Nicholls	31 March 2015	300	0 - 5	200	0 - 5
Robin Pellew	31 March 2014	1100	0 - 5	900	0 - 5
Christopher Holmes	31 March 2016	400	0 - 5	-	-
Brian Mahony	31 March 2016	1700	0 - 5	-	-
Susan Warren	31 March 2013	-	-	500	0 - 5
Judith Webb	31 March 2013	-	-	600	0 - 5

\*Expenses are shown to the nearest £100

### Remuneration of the Chief Executive (this information is subject to audit):

The Chief Executive is the only executive Director of the NFC and the only Director who is a member of the Principal Civil Service Pension Scheme (PCSPS).

The Chief Executive, Sophie Churchill, was initially appointed for a term of five years commencing on 1 February 2006 and expiring on 31 January 2011. With the agreement of Defra, the contract was extended for a further five years expiring on 31 January 2016. The contract may be terminated earlier by either party giving at least 13 weeks' notice in writing. Defra has conferred Accounting Officer status on her. The salary for the post falls within the range for a Grade 5 within Defra's grading structure. The salary payable is reviewed on 1 April each year. There was a 1% salary increase with effect from 1 April 2013, the first increase since 2009.

In addition to her salary, the Chief Executive is entitled to an annual non-consolidated, non-pensionable bonus of up to 10% of her annual salary. The bonus payable is based on the performance level attained and is made as part of the appraisal

# Remuneration Report (continued)

process operating within the Company. The bonus reported for 2013-14 relates to performance in 2013-14 and the comparative bonus reported for 2012-13 relates to performance in that year. The level of bonus payable is determined by the Chair, after consultation with fellow Directors. The recommendation is agreed with Defra.

Emoluments of the Chief Executive:

Name	Age	Start Date	Contract Expiry Date	
Sophie Churchill	50	1 February 2006	2013-14	2012-13
Single total figure of remuneration:			£'000	£'000
Salary			70 - 75	65 - 70
Non-consolidated bonuses			5 - 10	5 - 10
Pension benefits			15 - 20	25 - 30
			<u>95 - 100</u>	<u>100 - 105</u>

In December 2013 an interest free car loan of £4,000 was made to Sophie Churchill under the terms of the scheme for car loans to employees. As at 31 March 2014, the amount of loan outstanding amounted to £3,507. Since benefits in kind are disclosed to the nearest £100, the amount of benefit arising in 2013-14 from the loan is such that nothing needs to be included in the above analysis of her remuneration.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, Civil Servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for **classic** and 3.5% and 8.25% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2014. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial 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. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). The NFC has not, to date, made any contributions to a partnership pension account.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

Benefits to which the Chief Executive qualifies under the PCSPS are:	2013-14
	£
	Sophie Churchill
Salary, including performance pay (within the range)	75,000 - 80,000
Real increase in pension at age 60 (within the range)	0 - 2,500
Real increase in related lump sum at age 60 (within the range)	-

# Remuneration Report (continued)

	2013-14
	£
	Sophie Churchill
Total accrued pension at age 60 at 31/3/14 (within range)	15,000 - 20,000
Total accrued related lump sum at age 60 at 31/3/14 (within range)	-
Cash equivalent transfer value (CETV) at 31/3/13 (nearest £'000)	198,000
Cash equivalent transfer value (CETV) at 31/3/14 (nearest £'000)	227,000
Real increase in CETV after adjustment for inflation and market investment factors (nearest £'000)	12,000

The real increase in pension is the increase in the value of the pension over the year after considering the effect of inflation. The Chief Executive is a member of **premium** and does not automatically receive a lump sum; therefore no such disclosure is made.

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 already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV reflects the increase in CETV that is 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.

## Remuneration of staff

All staff below the level of Chief Executive are employed in substantive posts, subject to the completion of a satisfactory probationary period. The terms of the pay review applied to staff at Grade 6 and below within core-Defra, on 1 July each year, are applied to staff employed by the NFC. As a result, all staff except the Chief Executive received a 1% salary increase from 1 July 2013, as was the case in 2012.

## Remuneration of the highest paid Director and the ratio between this and the median remuneration of the NFC's staff (this information is subject to audit)

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 remuneration of the Chief Executive, who is the highest paid Director in the NFC, in the 2013-14 financial year was £75,000 - £80,000, including performance related bonus (2012-13: £75,000 - £80,000). This was 2.44 times (2012-13: 2.37) the median remuneration of the workforce of £31,600 (2012-13: £31,847).

In 2013-14, no employees received remuneration in excess of the highest paid Director, as was the case in 2012-13.

Total remuneration includes full time salary equivalents, non-consolidated performance-related bonuses and excludes employer pension contributions and the cash equivalent transfer value of pensions.



Sophie Churchill OBE  
Chief Executive/Accounting Officer

13 May 2014

# Statement of Directors' Responsibilities

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The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Under the Government Resources and Accounts Act 2000 (Audit of non-profit-making companies) Order 2009, the Secretary of State for Environment, Food and Rural Affairs has directed the National Forest Company 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 the Company and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the financial statements, the Directors are required to comply with the requirements of the Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Department for Environment, Food and Rural Affairs in accordance with the above order, 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 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.

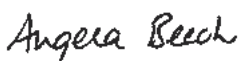
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board



Angela Beech  
Secretary

13 May 2014

# Governance Statement

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As the designated Accounting Officer for the National Forest Company (NFC), I have responsibility for the management and control of the resources used within the organisation. This Governance Statement explains the NFC's governance arrangements, describes how risk is managed, outlines the system of internal control and comments on the effectiveness of these arrangements.

The NFC is an Executive Non Departmental Public Body (NDPB) operating at 'arm's length' from its sponsor department, the Department for Environment, Food and Rural Affairs (Defra). The Department produces its own Governance Statement, the contents of which are reflected in the conclusions from the statements produced by all network bodies.

## Triennial Review

In April 2011 Cabinet Office announced that all NDPBs would undergo a substantive review at least once every three years. The purpose of these Triennial Reviews is to provide a robust challenge to the continuing need for individual NDPBs, both their function and their form; and where it is agreed that a body should remain as an NDPB, to review the control and governance arrangements in place to ensure that the body is complying with recognised principles of good corporate governance.

The review of the NFC was announced by David Heath, Minister of State for Agriculture and Food, by Written Ministerial Statement on 12th July 2013 and was undertaken by a Triennial Review team within Defra, overseen by Defra's Triennial Review Steering Group.

In November 2013, Defra published the report arising from the review of the NFC. Its conclusion was that the functions of the NFC are still necessary, that the NFC remains the right body for delivering them and that the NFC should remain an NDPB.

The report acknowledged the important part the NFC's work plays in realising the objectives of the Government's Forestry and Woodlands Policy Statement (2013) whilst the Review also established that the NFC is highly valued for its record of delivering Government priorities and is well respected by its partners.

Looking ahead, the Government and the NFC share a long term aim of a staged progression towards independence of the NFC from Government which would see a viable and sustainable organisation passed from Government into the third sector. The report stated that the aim should be for this independence to be achieved by 2024 with the NFC's new 10-year strategy (2014-24) setting out how this should be brought about.

To support the move towards independence, the NFC is to set out how it will increase the use of wider funding sources. This could be facilitated through further integration with

the National Forest Charitable Trust (NFCT), including a possible merger, and by taking on charitable status. The aim as stated in the report is for the outcome of deliberations on these options is to be announced in 2014, as part of the publication of the new 10-year strategy.

Other key conclusions of the review were that the NFC should develop a renewed vision and objectives for The National Forest as part of its new strategy; should, before the strategy mid-point of 2019, revisit whether the original aim of 'approximately a third' forest cover across The National Forest area remains valid; further explore opportunities to disseminate experience and carry out work to value the benefits of the Forest; and should ensure that there is sufficient local representation in the NFC's governance processes and that its future governance structures are as effective as possible.

## Governance Framework

The NFC Board, comprising eight Directors (seven Non-executive Directors and the Chief Executive), is responsible for determining the strategy for the organisation, approving the annual Business Plan and ensuring that the Company has appropriate policies and procedures to fulfil its obligations with regard to the use of public funds. Directors adhere to a Code of Conduct which details the corporate responsibilities of the Board and the responsibilities of individual Board members.

Directors are selected to enable the Board to have an appropriate balance of skills, experience, independence and knowledge to discharge its duties effectively. Defra is responsible for the recruitment of Non-executive Directors to the NFC Board. It consults with the Company on requirements and the NFC Chair is a member of the selection panel. Appointments are made in accordance with regulations issued by the Commissioner for Public Appointments. Initial appointments are usually for a three year term of office.

Two new Non-executive Directors were appointed to join the Board in April 2013 bringing forestry and marketing and branding skills and expertise. Requirements for these appointments were identified during the Board's annual review of its effectiveness and took into consideration expertise lost through retirements in March 2013. The Directors appointed undertook an induction programme, including attendance of an 'Accountability and Governance for Arm's Length Bodies' course.

No new appointments are to be made to the Board in 2014. The NFC Chair, whose initial appointment expired in March 2014, has been reappointed by the Minister for a further two years. In addition, two other Non-executive Directors have been reappointed, one for two years, the other for one.

## Governance Statement (continued)

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The reappointments were viewed as being necessary as continuity of Board membership is needed as consideration of future governance arrangements and production of the new 10 year Forest Strategy is ongoing. Another Non-executive Director, who has previously been reappointed twice, retired from the Board in March 2014 and the NFC will carry a vacancy on the Board into 2015.

The NFC Chair has an annual meeting with the Minister at which her objectives for the coming year are agreed. Objectives for 2013-14 centred around aligning the NFC's work with Government policy, particularly national forestry policy and the Grown in Britain campaign aimed at promoting a market for UK woods and forests; strategic partnership working, particularly with other environmental bodies; examination of future organisational options for The National Forest; effective participation in the Triennial Review, and development and delivery of the new 10 year Forest Strategy. The Chair agrees her annual objectives with other Board members who share responsibility for delivery.

The Chair is charged with leadership of the Board which includes reviewing the performance of individual Board members. This is undertaken via annual one to one reviews.

When the Board reviewed its performance and effectiveness in May 2013, it agreed that good progress had been made in implementing actions agreed at its last such session in February 2012. Actions taken included: changes to the recruitment process for new Directors with interviews being held at the NFC offices and candidates being given a tour of Forest sites prior to formal interview; a shift in Board business from operational to more strategic matters, and Directors giving more of their time to support the work of the executive. However, the two new appointments to the Board in 2013, whilst delivering the required forestry and marketing/communications expertise, did not deliver local representation or ethnic diversity which the Board lacks.

Arising from questionnaires completed and discussions held in 2013, Directors thought that the number and frequency of Board meetings was appropriate but agreed the need for supplementary meetings or teleconferences as significant business such as the production of the new strategy and consideration of future governance arrangements dictated. Directors found beneficial the attendance of Defra officials at NFC Board meetings with a senior officer from the sponsor division having attended two meetings in 2013. Directors supported the annual review of the Board's effectiveness but felt that this could be done by discussion without the need to complete a questionnaire each year.

In addition to consideration of future governance arrangements and the new Forest strategy, Board business during 2013-14 included: judging applications to the 2013 round of the Changing Landscapes Schemes; approval of the annual Business Plan and monitoring progress against

agreed priorities; major donor campaign; risk management; health and safety, and a review of strategic partnership working.

The governance and sponsorship arrangements for the NFC are set out in the Framework Document signed off in 2012. This sets out the arrangements that enable Defra to monitor the NFC's performance and delivery; describes the controls that exist to safeguard propriety and regularity, and clarifies the roles and accountabilities of Defra and the NFC.

The NFC complies with good governance practice principles for Executive NDPBs published by the Cabinet Office as they apply to the Company. A variation from specified good practice is that the NFC does not have a Remuneration Committee to make recommendations on the remuneration of senior executives. The Board agreed that it is not necessary to establish such a committee. The salaries and terms of conditions of NFC staff are analogous to those of staff employed in core Defra. Salary reviews that are applied within the Department are applied to NFC staff. The only NFC employee who is graded at Senior Civil Service level is the Chief Executive. A recommendation in relation to the annual performance related bonus payable to her is made by the NFC Chair, after consulting fellow Non-executive Directors, and agreed with Defra.

A key committee of the Board is the **Audit and Risk Committee (ARC)** which comprises three Non-executive Directors. The Chief Executive, in her capacity as Accounting Officer, attends these meetings. Minutes of meetings are circulated to all Directors, oral reports are given to the Board on business conducted and the Committee presents an annual report on its activities to the Board.

The ARC met twice during 2013-14. Its work included consideration of the financial statements for 2012-13 and the draft Audit Completion Report issued by the NAO prior to the accounts being certified by the Comptroller & Auditor General with an unqualified audit opinion and without modification; receiving the NAO's Audit Planning Report for 2013-14; considering reports issued by internal audit; reviewing the draft Governance Statement and Sustainability Report for 2013-14; reviewing finance reports prior to them being considered by the Board; and fulfilling its responsibilities in respect of risk management (see below).

Another committee of the Board is the **Land Policy Group (LPG)**, chaired by a Non-executive Director, which co-ordinates land acquisition activity; oversees utilisation of the available budget and progress towards achieving the annual forest creation target; advises the Board on strategic direction relating to land matters; and ensures compliance with the Land Acquisition Policy agreed with Defra. The LPG in its operations receives professional advice from a retained land agent.

# Governance Statement (continued)

## Attendance record of Directors at meetings of the Board and its Committees

**Board** – 4 ordinary meetings were held during 2013-14 and 2 special meetings to consider future organisation and governance arrangements. Total meetings 6.

	Meetings attended
Catherine Graham Harrison (Chair)	6
Sophie Churchill (Chief Executive)	6
Roger Clarke	5
Tony Hams	6
Chris Holmes	6
Brian Mahony	5
David Nicholls	4
Robin Pellew	5

**Audit & Risk Committee** – 2 meetings held during 2013-14

	Meetings attended
David Nicholls (Chair)	1
Roger Clarke	2
Brian Mahony	1
Sophie Churchill (Chief Executive)	2

**Land Policy Group** – 2 meetings held during 2013-14

	Meetings attended
Tony Hams (Chair)	2
Catherine Graham Harrison	2
Brian Mahony	2
Robin Pellew	2
Sophie Churchill	2

In addition there is an Access & Recreation Working Group, Nature Conservation Working Group and a Tourism Partnership Group which meet on an ad hoc basis as business dictates and where membership comprises representatives from partner organisations. These are chaired by an NFC Director. The terms of reference for the groups were agreed by the NFC Board and minutes of meetings are copied to all Directors.

## Future governance arrangements

The Triennial Review report referred to the long term aim of independence of NFC from Government. Specific reference was made to the possibility that this could be facilitated through further integration with the National Forest Charitable Trust (NFCT), including a possible merger, and by taking on charitable status. During 2013-14 consideration has been given to this with work undertaken being co-ordinated by a joint advisory group comprising NFCT trustees and NFC Directors.

A merger with NFCT and the existence of only one charitable body with responsibility for overseeing the development of The National Forest remains a possible long-term option. In the meantime, the NFC is considering whether it can itself gain charitable status thereby more immediately securing some of the benefits that this would deliver, particularly in the context of the requirement to diversify income streams.

## Internal controls and the work of internal audit

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Company policies and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The NFC seeks assurance on its systems of control from the work of its appointed internal auditors, Mazars LLP, which operates in accordance with Government Internal Audit Standards. During 2013-14 Mazars undertook the programme of work agreed with management and the ARC which equated to 14.5 days work. It covered core financial systems, human resources (recruitment, absence and performance management), Programme Development Fund grants, systems and controls relating to the creation of the National Forest Way and for the new 'Black to Green' project funded by the Heritage Lottery Fund (HLF). For each area audited a substantial assurance was given on the effectiveness of internal controls, except for the HLF project where an adequate assurance was given in relation to new working arrangements. All audits concluded that identified risks were being well managed and controls were in place to ensure that value for money was achieved through effective operations. Arising from the audits were ten recommendations, all of a housekeeping nature, which have been accepted by management. When considering action taken in relation to eleven recommendations made in previous audit reports, Mazars confirmed that nine had been implemented and two were in progress. Work undertaken during the year informed the opinion expressed in the Annual Internal Audit Report for 2013-14 that the NFC 'has adequate and effective risk management, control and governance processes to manage the achievement of the Company's objectives'.

During the course of its audit of the 2012-13 financial statements, the NAO did not identify any significant control weaknesses or issues relating to regularity or propriety.

The NFC has never experienced a case of fraud or suspected fraud.

# Governance Statement (continued)

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## Strategy and planning

The creation of The National Forest accords with the objectives of the Forest Strategy for 2004 - 2014. A new ten year strategy, agreed by the NFC Board and Defra, covering 2014 -2024 is to be launched in mid-2014. The vision and objectives to 2024 have been informed by discussions with key partners such as Defra, Natural England and Forestry Commission and through consultation with wider interested parties including local authorities, businesses, voluntary sector, community groups and members of the public.

Annually, the NFC's objectives are set out in its Business Plan, approved by the Minister. The 2013-14 plan summarised objectives through to 2016; stated how activity contributes to ministerial priorities, and analysed the 2013-14 work programme by resource allocation and expected outcomes highlighting key performance measures.

It has been agreed with Defra that the production timetable for the 2014-15 Business Plan will be deferred to coincide with the unveiling of the new 10 year strategy for The National Forest since the objectives and related work programmes covered by the strategy will inform the contents of the Business Plan.

## Data handling

All staff sign copies of the Company's data handling policy, confirming that they will comply with its terms and complete relevant Civil Service e-Learning courses.

No incidents of loss of data arose during 2013-14.

## Risk Management

The NFC Board is responsible for determining the NFC's approach to risk, agreeing the Risk Policy, setting the culture of risk management and for monitoring the management of the highest scored risks as detailed in the Risk Register.

In 2013, the NFC Board agreed to continue the practice of allocating a governance role to individual Directors in respect of the highest scored risks which is seen as enhancing controls. For risks allocated to them, Directors liaise with the designated lead officer and seek assurance that the risk in question is being effectively managed and that the plan of action identified to mitigate the risk is being implemented. Their conclusions are fed back to the full Board.

The ARC has responsibility for reviewing the risk management process and the full draft Risk Register before the highest scored risks are presented to the Board. The ARC allocates the governance roles to Directors and receives reports and assurance from them. ARC is also informed by the work of internal audit. Risk management is a standing agenda item for meetings of the Committee.

The senior management team identifies the main risks faced in achieving corporate objectives and targets as detailed in the Business Plan; identifies actions and controls needed to mitigate these risks; and scores the remaining risk, taking into consideration 'significance' and 'probability'.

Risk management features on the agenda of two of the four Board meetings held each year. In July 2013, the Board agreed that the Risk Policy remained an accurate reflection of the NFC's approach to risk. The highest scored risks and associated action plans as detailed in the 2013-14 Risk Register were reviewed. These included the ability of traditional public sector partners and not for profit organisations to support Forest initiatives; the threat of losing a significant number of trees through disease, pests and pressures relating to climate change; the ability to achieve headline forest creation targets, and risks linked to landowners and partners failing to maintain and deliver quality and engage in forest and woodland management programmes. New areas of risk featuring in the highest scored risks related to the outcome of the Triennial Review and ability to agree new organisational and governance arrangements in time for the new strategy period from 2014. The latest Risk Register also includes a section covering risks to delivering the 'Black to Green' HLF funded project.

When the Board reviewed the register in February 2014, reassurance was taken from the commentary provided from Directors that high scored risks were being effectively managed; no risk scores were seen to have increased with some having reduced; and no significant new areas of risk had emerged.

The NFC received no ministerial directions during the year.

## Localism

Grants awarded by the NFC are an important means of delivering multiple Forest objectives. There is a suite of woodland creation grants available to landowners comprising Changing Landscapes Scheme (CLS) for areas of over 1 hectare (ha), Freewoods Scheme for areas of under 1ha and Parkland and Wood Pastures Scheme for areas of up to 5ha where the intention is to plant trees less densely and retain open landscape. All schemes are assessed against the contribution made towards Forest objectives. CLS is a competitive scheme where applications are assessed by officers against a scoring system covering scale of creation, landscape/design, access, community engagement, nature conservation, woodland economy, climate change, risk and value for money. Scores allocated inform decisions taken by the NFC Board which judges schemes and decides which will be supported.

In 2013-14 a new woodland management grant programme was introduced. To be eligible, a project must contribute to at least two National Forest objectives which include forestry, woodland economy; wildlife conservation;



## Governance Statement (continued)

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landscape enhancement; recreation, including public access; community use and/or engagement, and heritage protection. Qualifying projects can receive a grant of up to 75% of the total costs, subject to a maximum of £15,000 in any one year.

Small grants to local people and organisations are made via the Programme Development Fund (PDF) where grants are made towards a range of projects (e.g. community, access, heritage, sport and recreation) which contribute to at least two of ten specified National Forest objectives. Grants normally cover up to 50% of the cost of projects and often act as a lever to secure significant additional funding.

### **Performance management and customer feedback**

As Accounting Officer, I have overall responsibility for the achievement of corporate objectives as detailed in the Business Plan. However, responsibility for delivery of many of these is delegated to other staff in the organisation.

Responsibilities and objectives are detailed in annual job plans for each employee and performance against these is assessed through the staff review system. This includes a mid-year and end of the year assessment of how the individual has performed which determines any entitlement to a performance related bonus. The job plans also detail training and development needs identified to equip the individual to perform effectively and continue to develop in the role.

The National Forest is being created for public benefit and the engagement and views of members of the public are welcomed. The Company has established procedures and arrangements for dealing with complaints and requests made under the Freedom of Information Act. During the year ended 31 March 2014, 29 complaints were received (compared with 20 in 2012-13), 19 of which related to one site, not owned by the NFC, where there had been changes in management practices following a change in ownership. All complaints were responded to within the specified timescale.

As part of our strategy 2014-2024 preparation we commissioned a further survey into community perceptions of the Forest, which will form an important part of the strategy.

### **Conclusion**

No significant issues in relation to governance, risk, performance or controls have arisen which need to be reported on in this Governance Statement.



**Sophie Churchill OBE**  
Chief Executive/Accounting Officer

13 May 2014

# The Certificate and Report of the Comptroller and Auditor General to the Members of the National Forest Company

I certify that I have audited the financial statements of the National Forest Company for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the directors and the auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are 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 2000. 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and the Report of the Directors 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 Parliament 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 Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its net expenditure after interest and tax for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Annual Report and the Directors' 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; 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 HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Amyas C E Morse**  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

2 June 2014

# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2014

	Note	2013-14 £	2012-13 £
<b>Expenditure</b>			
Staff costs	2	809,589	775,875
Depreciation	3	17,619	16,499
Other Expenditures	3	1,892,839	1,292,063
Loss on disposal of land		-	998,944
Impairment of land	6	39,316	28,802
		<u>2,759,363</u>	<u>3,112,183</u>
<b>Income</b>			
Other Income	4	(367,237)	(293,283)
Reversal of prior years' impairment	6	(52,065)	(27,180)
<b>Net Expenditure</b>		2,340,061	2,791,720
Interest receivable	4	(4,938)	(10,043)
<b>Net Expenditure after interest and before taxation</b>		<u>2,335,123</u>	<u>2,781,677</u>
Tax on interest receivable	5	988	2,009
<b>Net Expenditure after interest and tax</b>		<u>2,336,111</u>	<u>2,783,686</u>
<b>Other Comprehensive Expenditure</b>			
Net gain on revaluation of land through Revaluation Reserve	6	(14,910)	(2,500)
<b>Total Comprehensive Net Expenditure</b>		<u><u>2,321,201</u></u>	<u><u>2,781,186</u></u>

# Statement of Financial Position

		as at 31 March 2014		as at 31 March 2013	
	Note	£	£	£	£
<b>Non-current assets:</b>					
Property, plant and equipment	6	2,511,215		2,176,021	
Trade and other receivables:					
Amounts falling due after more than one year	7	7,298		-	
Total non-current assets			2,518,513		2,176,021
<b>Current assets:</b>					
Trade and other receivables:					
Amounts falling due within one year	7	54,259		41,004	
Cash and cash equivalents	8	1,466,544		1,337,893	
Total current assets			1,520,803		1,378,897
<b>Total assets</b>			<b>4,039,316</b>		<b>3,554,918</b>
<b>Current liabilities:</b>					
Trade and other payables:					
Amounts falling due within one year	9	(46,200)		(95,601)	
Total current liabilities			(46,200)		(95,601)
<b>Assets less liabilities</b>			<b>3,993,116</b>		<b>3,459,317</b>
<b>Reserves</b>					
Capital Reserve			2,419,910		2,097,110
Revaluation Reserve			49,160		34,250
General Reserve			1,524,046		1,327,957
			<b>3,993,116</b>		<b>3,459,317</b>

The notes on pages 36 to 41 form part of the accounts.

The financial statements were approved by the Board on 13 May 2014 and signed on its behalf by:



Catherine Graham-Harrison OBE  
Chair



Sophie Churchill OBE  
Chief Executive/Accounting Officer

# Statement of Cash Flows

for the 12 months ended 31 March 2014

	Note	2013-14 £	2012-13 £
<b>Operating Activities</b>			
Net expenditure before interest and tax		(2,340,061)	(2,791,720)
<b>Adjustments for non-cash items</b>			
Loss on disposal of land		-	998,944
Impairment of land		39,316	28,802
Reversal of prior years' impairment		(52,065)	(27,180)
(Increase)/ decrease in trade and other receivables		(20,553)	57,900
(Decrease)/increase in trade payables		(48,380)	37,938
Depreciation		17,619	16,499
<b>Cash flows from operations</b>		<b>(2,404,124)</b>	<b>(1,678,817)</b>
Interest received		4,938	10,043
Corporation Tax paid		(2,009)	(787)
<b>Net cash from operating activities</b>		<b>(2,401,195)</b>	<b>(1,669,561)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(325,154)	(944,570)
Proceeds from disposal of property, plant and equipment		-	700,000
<b>Net cash flows from investing activities</b>		<b>(325,154)</b>	<b>(244,570)</b>
<b>Cash flows from financing activities</b>			
Grant in aid		2,855,000	3,007,000
<b>Net cash flows from financing activities</b>		<b>2,855,000</b>	<b>3,007,000</b>
<b>Net increase in cash and cash equivalents</b>	8	<b>128,651</b>	<b>1,092,869</b>
Cash and cash equivalents at beginning of year		1,337,893	245,024
Cash and cash equivalents at end of year		1,466,544	1,337,893
<b>Net change in cash and cash equivalent balances</b>	8	<b>128,651</b>	<b>1,092,869</b>

# Statement of Changes in Taxpayers' Equity

for the 12 months ended 31 March 2014

	Capital Reserve £	Revaluation Reserve £	General Reserve £	Total Reserves £
<b>Balance at 1 April 2012</b>	2,858,250	31,750	343,503	3,233,503
<b>Changes in reserves 2012-13</b>				
Transfers between reserves	(1,700,566)		1,700,566	-
Net gain on revaluation of land		2,500		2,500
Comprehensive expenditure for the year			(2,783,686)	(2,783,686)
Grants from sponsoring department	939,426		2,067,574	3,007,000
<b>Balance at 31 March 2013</b>	2,097,110	34,250	1,327,957	3,459,317
<b>Changes in reserves to March 2014</b>				
Transfers between reserves	12,749	-	(12,749)	-
Net gain on revaluation of land	-	14,910	-	14,910
Comprehensive expenditure for the year	-	-	(2,336,111)	(2,336,111)
Grants from sponsoring department	310,051	-	2,544,949	2,855,000
<b>Balance as at 31 March 2014</b>	2,419,910	49,160	1,524,046	3,993,116

# Notes to the Accounts

## Note 1

### Statement of accounting policies

These financial statements have been prepared in compliance with the Companies Act 2006. They also take into consideration the accounting and disclosure requirements of the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury, where not inconsistent with the Companies Act 2006, and the Accounts Direction issued by the Secretary of State for Environment, Food and Rural Affairs.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS), as adapted or interpreted for the public sector context, and comply with the guidance issued by the International Financial Reporting Interpretations Committee (IFRIC).

Where the FReM permits a choice of accounting policy, a judgement has been made to select the most appropriate policy to suit the particular circumstances of the NFC for the purpose of giving a true and fair view. The particular policies adopted by the NFC are described below. They have been applied consistently in dealing with items which are considered material in relation to the accounts.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions. Actual results may differ from these estimates.

### IFRSs, IFRIC Interpretations and Amendments

#### Effective in these Financial Statements

All IFRSs, IFRIC Interpretations and Amendments to published standards, effective at 31 March 2014, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM. The following have been taken into consideration when producing these Financial Statements:

IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash Flows
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Reporting Period
IAS 16	Property, Plant and Equipment
IAS 17	Leases
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance

IAS 24	Related Party Transactions
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 7	Financial Instruments: Disclosures
IFRIC 4	Determining whether an arrangement contains a lease
IFRIC 9	Re-assessment of Embedded Derivatives

#### Effective for future financial years

The following standard has been issued and is applicable to the NFC but is not yet effective and has not been implemented early by the Company:

IFRS 13	Fair value measurement (effective from 2015-16)
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### Accounting convention

These accounts have been prepared on a going concern basis, on the accruals basis and under the historic cost convention, modified to account for the revaluation of land.

#### Property, plant and equipment

In accordance with the Land Acquisition Policy agreed with Defra, the NFC is permitted to own land. It should, however, at the time of acquisition or shortly thereafter, agree the means of disposal and should only in exceptional circumstances own any land for more than 10 years. The normal practice is for the freehold ownership of sites to be transferred to partner organisations, subject to guarantees that the land will be developed and managed for specified Forest purposes. Where Forest Enterprise England (FEE) is the preferred partner an expedited procedure is followed to enable an early transfer of the freehold of the land to FEE. In such cases the freehold in the land will be vested in the Secretary of State and 'placed at the disposal of the Forestry Commissioners'.

Landholdings are stated at fair value. This is determined through an annual valuation undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). The last valuation was as at 28th February 2014 and was provided by Fisher German, Chartered Surveyors. Landholdings in the Statement of Financial Position are shown at the valuations provided, Fisher German having confirmed that there has been no material change in those valuations as at 31 March 2014. Where the valuation is higher than the purchase price paid, the increase in valuation is credited to a Revaluation Reserve. Where land is revalued due to a change in market values but remains at below the purchase price, the loss on revaluation is charged to the Statement of Comprehensive Net Expenditure in the year of the revaluation. Similarly, where as a result of a proposed change of use there is impairment in

# Notes to the Accounts (continued)

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the value of the land, the loss on impairment is charged to the Statement of Comprehensive Net Expenditure in the year of the impairment. Where land is acquired and retained, the cost of the land is credited to a Capital Reserve. Changes in the value of landholdings arising from revaluation or impairment are reflected in the balance held in the Capital Reserve and Revaluation Reserve.

## **Depreciation**

Depreciation is provided evenly on the cost of furniture and fittings and information technology assets, to write them down to their estimated residual values over their expected useful lives. Expectations are informed by past experience and reflect anticipated usage of such assets. Furniture and fittings have an expected useful life of between 3 and 10 years. Information technology assets have an expected useful life of between 3 and 5 years. No depreciation is charged in the year of acquisition of the asset but is charged in the year of disposal.

## **Grant in aid and other income**

Grant in aid received is treated as financing, credited to the General Reserve, because it is regarded as contributions from a controlling related party.

Other income is analysed in Note 4 to the Financial Statements.

## **Section 106 income**

Section 106 monies from local authorities are recognised at the time that there is a guarantee that known sums will be paid to the Company for Forest creation purposes.

## **Capital Reserve**

The Capital Reserve represents the value of total landholdings less the balance in the Revaluation Reserve. Funding used to purchase land is posted to the Capital Reserve and then reclassified to the General Reserve upon disposal of the land.

## **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held by the Government Banking Service and other short-term highly liquid investments with maturities of 95 days or less.

## **Leases**

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. An operating lease is a lease other than a finance lease.

Where the total of future minimum lease payments are known, the expense is recognised in the Statement of

Comprehensive Net Expenditure on a straight line basis over the length of the lease. Otherwise, payments are charged to the Statement of Comprehensive Net Expenditure as they are incurred.

## **Non controlling party grants**

Grants used for revenue expenditure are credited to the Statement of Comprehensive Net Expenditure in the same period as the expenditure to which they contribute.

## **Related party transactions**

Defra is regarded as a related party. During the year, the NFC received £2,855,000 (2012-13: £3,007,000) grant in aid from the Department.

During the year, none of the Directors, staff or other related parties has undertaken any material transactions with the NFC, other than those disclosed in Note 12.

## **Financial Instruments**

Financial assets are recognised when the Company becomes party to a financial instrument contract or in the case of trade receivables when goods and services are delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred. Initially recognised at fair value, the classification of financial assets depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. Financial liabilities are recognised on a similar basis with the liability discharged when the liability has been paid or expired.

## **Staff costs and pensions**

The NFC accounts for staff costs and pension contributions in the periods for which they are payable. The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The NFC is unable to identify its share of the underlying assets and liabilities. The Scheme administrators carry out actuarial valuations of the Scheme and prepare full accounts for the Scheme.

The NFC recognises in its accounts those costs collected from it by the Scheme administrators in respect of Accruing Superannuation Liability Charges (ASLCs), which are shown as "Pension Costs".



# Notes to the Accounts (continued)

## Note 2.1

	2013-14	2012-13
Staff numbers and related costs	£	£
Costs of permanently employed staff, including Directors:		
Salaries	630,185	604,639
Social security costs	49,783	47,675
Other pension costs	111,300	105,694
	<u>791,268</u>	<u>758,008</u>
Early retirement and redundancy costs	18,321	17,867
	<u>809,589</u>	<u>775,875</u>

All staff are eligible for membership of the **Principal Civil Service Pension Scheme (PCSPS)** details of which are included in the Remuneration Report.

Average number of persons employed	2013-14	2012-13
Directors (including Chief Executive)	8	8
Staff (full time equivalent)	15	14
	<u>23</u>	<u>22</u>

## Note 2.2

### Reporting of Civil Service and other compensation schemes – exit packages

There were no redundancies or other early departures in 2013-14. Expenditure in 2013-14 relates to approved early retirements in previous years where the employer is liable to meet the costs until the former employee(s) attain the age of 60.

## Note 3

Other Expenditure	2013-14	2012-13
	£	£
Programme Expenditure:		
Changing Landscapes Scheme	861,788	459,972
Programme Development Fund	283,793	194,160
Woodland Management and Site Development	165,312	123,485
The National Forest Way (long distance trail)	66,118	44,348
Freewoods and Parkland (small scale woodland grants)	63,667	98,602
Tourism and Promotion	61,655	68,455
Fundraising	22,745	16,674
HLF Black to Green project	9,286	-
National Forest Tender Scheme	-	13,187
Cycle Centre project	-	12,979
Administrative Expenditure:		
Running costs	201,405	183,158
Research expenditure	119,558	39,031
Rentals under operating leases	25,012	25,012
Fees payable to the Company's auditors for the audit of the Annual Accounts	12,500	13,000
	<u>1,892,839</u>	<u>1,292,063</u>
Depreciation	17,619	16,499
	<u>1,910,458</u>	<u>1,308,562</u>

Tourism and promotion and fundraising costs are included within programme expenditure as these areas of activity contribute to the delivery of Forest Strategy objectives. In previous years, these costs were included within administrative expenditure.

## Notes to the Accounts (continued)

<b>Note 4</b>	2013-14	2012-13
<b>Other Income</b>	£	£
Donations and sponsorship	189,714	178,391
HLF Black to Green project	49,400	-
Tourism programme: local authority contributions and advertising revenue	46,333	48,930
Woodland creation grants	35,900	39,942
Sundry income	45,890	17,247
Section 106 agreement	-	8,773
	<u>367,237</u>	<u>293,283</u>
Bank interest receivable	<u>4,938</u>	<u>10,043</u>
<b>Note 5</b>		
<b>Corporation Tax payable</b>	<u>988</u>	<u>2,009</u>

Grant income and donations received by the Company are not subject to Corporation Tax. Interest received of £4,938 (2012-13: £10,043) is, however, taxable at the rate of 20% (2012-13: 20%), resulting in the above tax charge.

<b>Note 6</b>	Land	Furniture & Fittings	Information Technology	Total
<b>Property, plant and equipment</b>	£	£	£	£
<b>Cost or valuation</b>				
At 1 April 2013	2,131,360	158,924	54,390	2,344,674
Additions during the year	310,051	600	14,503	325,154
Disposals/transfers during the year	-	(1,835)	(1,392)	(3,227)
Impairment	(39,316)	-	-	(39,316)
Reversal of prior years' impairment	52,065	-	-	52,065
Revaluation gain to Revaluation Reserve	14,910	-	-	14,910
At 31 March 2014	<u>2,469,070</u>	<u>157,689</u>	<u>67,501</u>	<u>2,694,260</u>
<b>Depreciation</b>				
At 1 April 2013		131,597	37,056	168,653
Charges in the period:				
Depreciation		11,315	6,304	17,619
Depreciation charged on disposals		(1,835)	(1,392)	(3,227)
At 31 March 2014		<u>141,077</u>	<u>41,968</u>	<u>183,045</u>
<b>Net Book Value 31 March 2014</b>	<u>2,469,070</u>	<u>16,612</u>	<u>25,533</u>	<u>2,511,215</u>
<b>Cost or valuation</b>				
At 1 April 2012	2,890,000	156,758	56,890	3,103,648
Additions during the year	939,426	2,166	2,978	944,570
Disposals/transfers during the year	(1,698,944)	-	(5,478)	(1,704,422)
Impairment	(28,802)	-	-	(28,802)
Reversal of prior years' impairment	27,180	-	-	27,180
Revaluation gain to Revaluation Reserve	2,500	-	-	2,500
At 31 March 2013	<u>2,131,360</u>	<u>158,924</u>	<u>54,390</u>	<u>2,344,674</u>
<b>Depreciation</b>				
At 1 April 2012		120,645	36,987	157,632
Charges in the period:				
Depreciation		10,952	5,547	16,499
Depreciation charged on disposals		-	(5,478)	(5,478)
At 31 March 2013		<u>131,597</u>	<u>37,056</u>	<u>168,653</u>
<b>Net Book Value</b>				
<b>31 March 2013</b>	<u>2,131,360</u>	<u>27,327</u>	<u>17,334</u>	<u>2,176,021</u>

If the cost model had been used, then the carrying amount of landholdings as at 31 March 2014 would be £3,637,391 (31 March 2013: £3,327,340).

## Notes to the Accounts (continued)

<b>Note 7</b>	31 March 2014	31 March 2013
<b>Trade receivables and other current assets</b>	£	£
Amounts falling due within one year:		
VAT	6,388	-
Prepayments and accrued income	41,367	40,865
Other receivables	6,504	139
	<u>54,259</u>	<u>41,004</u>
Amounts falling due after more than one year:		
Other receivables	7,298	-
	<u>7,298</u>	<u>-</u>
Total trade and other receivables	<u>61,557</u>	<u>41,004</u>

<b>Note 8</b>	31 March 2014	31 March 2013
<b>Cash and cash equivalents</b>	£	£
Balance at 1 April	1,337,893	245,024
Net change in cash and cash equivalent balances	128,651	1,092,869
Balance at 31 March	<u>1,466,544</u>	<u>1,337,893</u>

The cash balance above includes £1,000,000 held in a 95 day notice account which will mature on 27 June 2014.

<b>Note 9</b>	31 March 2014	31 March 2013
<b>Trade payables and other current liabilities</b>	£	£
Amounts falling due within one year:		
VAT	-	6,607
Corporation tax payable	988	2,009
Accruals and deferred income	45,212	86,985
	<u>46,200</u>	<u>95,601</u>

### Note 10

#### Other financial commitments

##### Forest creation schemes

The Company has entered into contracts (which are not leases or PFI contracts), under the Changing Landscapes Scheme and the Freewoods and Parkland Schemes. The payments to which the NFC is committed, analysed by the period during which the commitments fall due, are as follows

	31 March 2014	31 March 2013
	£	£
Not later than one year	170,775	198,964
Later than one year and not later than five years	562,082	469,869
	<u>732,857</u>	<u>668,833</u>

# Notes to the Accounts (continued)

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## Note 11

### Financial Instruments

IFRS 7 and IAS 32 and 39 require disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

The NFC has no borrowings and relies primarily on Defra grants for its cash requirements and is therefore not exposed to the degree of financial risk faced by business entities. Financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing the NFC in undertaking its activities. The following paragraphs provide an overview of the major financial risks for the NFC and how they are managed at the individual level.

### Liquidity Risk

The NFC has no borrowings and relies primarily on Defra grants for its cash requirements and is therefore not exposed to any significant liquidity risks.

### Market Risk – Interest Rate Risk

The NFC has no financial liabilities such as bank loans. The majority of the NFC's financial assets and financial liabilities carry nil or fixed rates of interest. The NFC is therefore not exposed to any significant interest rate risk.

### Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the NFC. Credit risk arises from deposits with banks as well as credit exposures to the NFC's trade debtors. The NFC's surplus operating cash is only invested with banks that are rated independently with a minimum rating of A1, P1, F1, or A+. Cash assets are held with the Government Banking Service and the Co-operative Bank.

### Foreign Currency Risk

The NFC has no foreign currency income or expenditure. All material assets and liabilities are denominated in sterling. The NFC is therefore not exposed to any significant foreign currency risk.

### Fair Values

The fair values of financial assets and financial liabilities for the NFC approximate to their book values.

## Note 12

### Related party transactions

The NFC is a Non-Departmental Public Body (NDPB) sponsored by Defra which is regarded as the Company's controlling related party. During the year, the Company received £2,855,000 (2012-13: £3,007,000) grant in aid from Defra.

The NFC received £35,900 (2012-13: £39,942) woodland grants from the Forestry Commission. A payment of £20,000 was made to Forest Research in relation to a joint woodland creation and ecological networks research project and another payment of £1,000 was made to them in respect of tree provenance trials (2012-13: £4,000).

During the year, no Director or other related parties has undertaken any material transactions with the Company.

## Note 13

### Events after the reporting date

There have been no adjusting or non-adjusting events since 31 March 2014.

The Report of the Directors and Accounts have been authorised for issue on 2 June 2014 by the National Forest Company's Chief Executive and Directors.

## Appendix A (this information is not subject to audit)

### National Forest - Summary of main achievements during the five years 2009-10 to 2013-14

	2009-10	2010-11	2011-12	2012-13	2013-14
<b>New forest creation</b>					
Target	200-250ha	195 – 245ha	140 – 160ha	180 – 200ha	135 – 150ha
Outturn	204ha	195ha	154ha	204ha	149ha
<b>Public access</b>					
New full open access sites					
Target	150-185ha	125 – 150ha	110ha	140 – 160ha	180ha
Outturn	128ha	137ha	129ha	154ha	243ha
<b>Nature conservation and cultural heritage habitat created or brought into management</b>					
Target	50ha	35 – 50ha	30 – 40ha	60 – 75ha	45ha
Outturn	59ha	57ha	34ha	63ha	60ha
<b>Number of people involved in Forest related activities</b>					
Target	20,000	20,000	20,000	20,000	20,000
Outturn	25,000	20,000	20,232	21,300	21,900
<b>Number of children and adults involved in environmental education activities</b>					
Target	40,000	40,000	38,000	38,000	38,000
Outturn	35,800	37,000	44,110	41,700	38,200

## Appendix B (this information is not subject to audit)

# Sustainability Report

### Introduction

This sustainability report gives an annual update on our progress, taking into account the National Forest Company's (NFC) operating environment, and enables comparisons to be made year on year. The format of the report conforms with HM Treasury's Sustainability Reporting Guidance.

This report has not been subject to audit and does not form part of the auditor's opinion on the accounts.

Sustainable development has always been at the heart of The National Forest's creation and the NFC is committed to developing increasingly sustainable ways of carrying out our day to day business. By minimising the impacts of our own activities, and those of others where we have influence, we aim to contribute to the improvement of the local and global environment. The NFC's Environmental Policy statement is fully endorsed by the Board. More information about The National Forest's contribution to national sustainable development indicators, including those related to biodiversity conservation, can be found on our website at <http://www.nationalforest.org/forest/grow>

Senior level responsibility is given to the collation of data, monitoring and writing of the report, with Directorial input and oversight. Standard methodology is used to calculate carbon emissions.

The NFC operates from serviced accommodation leased from a private landlord and this report focuses primarily on performance related to our main direct impacts which are

energy consumption (Scope 2 Energy Indirect Emissions) and official business travel (Scope 3 Other indirect Green House Gas (GHG) Emissions).

### About the data

Electricity is the only utility which is paid for directly and for which there is data obtained from meter readings and bills. The heating system is electric; no gas is supplied to the building.

Travel data includes official business travel by all staff and Directors. Mileage relates to travel in staff and Directors' own vehicles.

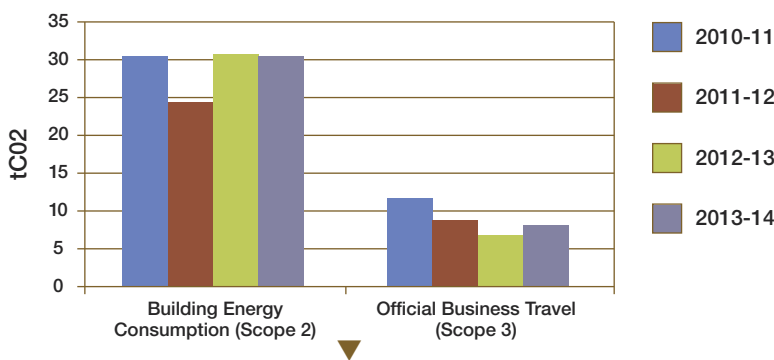
Financial data presented in this report is sourced from accounting records for this period.

Water data has not been included in this report; water consumption is included within the landlord's service charge and accurate data is not available.

To enable comparisons to be made between years, the data has been normalised by the average number of full time equivalent (FTE) employees, including the Chief Executive, as follows:

- 2010-11 FTE average 19
- 2011-12 FTE average 16
- 2012-13 FTE average 15
- 2013-14 FTE average 16

### Summary of Total Greenhouse Gas Emissions



### Summary of Total Greenhouse Gas Emissions tCO2

	2010-11 tCO2	2011-12 tCO2	2012-13 tCO2	2013-14 tCO2
Building Energy Consumption (Scope 2)	30.43	24.31	30.71	30.45
Official Business Travel (Scope 3)	11.74	8.68	6.82	8.15
<b>Total emissions</b>	<b>42.17</b>	<b>32.99</b>	<b>37.53</b>	<b>38.60</b>

## Appendix B

### Sustainability Report (continued)

Given its scale and current operating environment, the NFC is constrained in terms of meeting specific targets for ongoing carbon emission reduction and fluctuations will inevitably occur, relative to particular business needs during any given year.

The summary chart on page 43 shows a 3% increase in total emissions for 2013-14, compared with 2012-13.

Building energy consumption was slightly lower; the overall increase is attributed to an increase of 19.5% in official business travel (see below).

#### Building Energy Consumption (Scope 2)

The purchase of electricity for our offices is the major contributor to our carbon emissions, accounting for almost 80% of our total emissions. The heating system is electric and is the main component of our electricity expenditure. Our offices are open plan and therefore the increase in staff complement (by one full time equivalent) has not impacted on electricity consumption during 2013-14.

Building Energy Consumption (Scope 2)	Unit	2010-11	2011-12	2012-13	2013-14
Total emissions	tCO2	30.43	24.31	30.71	30.45
Building energy consumption per head (FTE)	tCO2	1.6	1.52	2.05	1.9
Building energy consumption	kw/h	55,819	46,346	58,539	58,047
Energy consumption per head (FTE)	kw/h	2,938	2,897	3,659	3,628
Staff employed (FTE)		19	16	15	16
Total energy expenditure	£	9,168	7,732	10,111	10,222
Expenditure per head (FTE)	£	483	483	674	639

#### Official Business Travel

Staff often have to travel to fulfil their duties and, due to the rural location of the Forest, this usually means using their own vehicles. Travel is only undertaken where it is deemed necessary for business and wherever possible staff use public transport and car share. Telephone conferencing is used whenever appropriate.

Compared with 2012-13, emissions from official business travel (scope 3) increased by 19.5% during 2013-14. Total miles (mileage and rail) travelled by staff increased from c20,000 miles to c24,000 miles; this is mainly attributed to the increase in staff complement (Woodland Management Officer) and higher number of rail journeys.

Official Business Travel (Scope 3)	Unit	2010-11	2011-12	2012-13	2013-14
Total emissions	tCO2	11.74	8.68	6.82	8.15
Staff mileage (inc Chief Executive)	miles	22,449	20,185	16,136	17,913
Staff Rail travel	miles	9,791	4,817	3,859	6,232
Staff Air travel	miles	457	582	-	-
Directors' mileage	miles	7,133	4,368	3,070	5,113
Directors' Rail travel	miles	8,922	4,695	5,042	4,538
Directors' Taxi	miles	747	476	414	287
Total miles travelled	miles	49,499	35,123	28,521	34,083
Business travel costs	£	21,471	16,088	15,502	16,268

#### Procurement

We continue to work to ensure that sustainability is considered as part of our procurement processes. Information on environmental policies of potential suppliers is requested and these are reviewed, where appropriate, as part of the tendering procedure when seeking to award contracts or place orders for goods and services.

Where possible we will procure IT and stationery items via the Government Procurement Service. In addition to securing value for money, these framework agreements meet Government Buying Standards in terms of sustainability.

The NFC provides monthly procurement data to Defra in order to contribute to efforts to meet the Government's aspiration that 25% of spend goes to Small and Medium Sized Enterprises by the end of this Parliament. Defra's report on the NFC's performance during the period April to October 2013 showed that on average, 58% of our monthly procurement was with SMEs.

## Appendix B

### Sustainability Report (continued)

#### Paper Use

In line with Defra's commitment to minimising the cost and environmental impact of its paper use, we have purchased Closed Loop paper this year. The programme involves the secure disposal of waste paper through a supply chain process; waste paper is then collected, recycled and returned as copier paper.

Office paper usage		2010-11	2011-12	2012-13	2013-14 (Closed Loop)
A4 paper	reams	130	130	125	100

#### Office Waste

We aim to reduce the amount of office waste we generate and recycle and re-use materials wherever possible. The majority of our waste is office paper. All our IT equipment is recycled for refurbishment and re-use.

We continue to use North West Leicestershire's recycling services for the collection of cardboard and material which cannot be collected via Closed Loop. No data is available in respect of quantities.

During 2013-14 all of our office paper waste was collected via the Closed Loop programme.

#### Publications and Communications

Electronic communications are used wherever appropriate, reducing the need to produce print versions. Some hard copy publications continue to be produced where there is a business case to do so, such as the National Forest Visitor Guide and the attractions leaflet. The print run for the 2014 attractions leaflet was 150,000, a reduction of 50,000 compared to the previous year.

Forest Scene, our biennial corporate newsletter, continues to be printed. An electronic version is available online and subscribers are regularly encouraged to switch, but very few do so, a hard copy being how they choose to receive and enjoy it.

The strategy 2014-2024 will be a brief printed document with the extensive supporting evidence only available online.

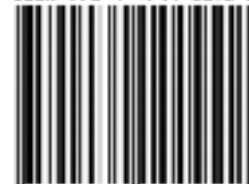




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