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# **Forestry Commission England/Central Services**

## **Annual Report and Accounts 2015-16**

**(For the year ended 31 March 2016)**

Presented to the House of Commons pursuant to Section 7(3) of the Government Resources  
and Accounts Act 2000

*Ordered by the House of Commons to be printed on 14 July 2016*

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## **Honours**

The following Forestry Commission nominees were successful in the Queen's Honour List:

Mr James Graham Simpson Gill, OBE, Lately Forest Management Director, North England Forest District;  
Mrs Susan Ann Kirk, MBE, Forest Pathology Technician;  
Mrs Wilma Harper, MBE, Director of Corporate and Forestry Support Division; and  
Mr Nicholas Smith, BEM, Woodland Officer, Forest Services, England.

## **Register of Interests**

A register of interests of all Board Members is maintained by the Forestry Commission and published on our website: [www.forestry.gov.uk](http://www.forestry.gov.uk)

## Performance Report

### Overview

#### Foreword by Sir Harry Studholme, Chair

Over the last year Forestry Commission England has continued its role as the Government's forestry expert, supporting others to protect, improve and expand our nation's woodlands.

At the core of our work is collaboration – working across government and the wider forest industry to contribute to sustainable development, protecting our trees and landscapes, climate change adaptation and woodland management.

Our work to protect trees from pests, diseases, illegal felling and the effects of climate change this year has included vital monitoring, regulation and communication both locally and nationally. At cross-border level our Plant Health Service has joined the 'One Government at the Border' project to help monitor the movement of goods between countries, with a particular focus on monitoring wood packaging from Asia.

On woodland improvement, we have worked closely with Natural England to administer the first year of the new Countryside Stewardship grant scheme which will give land managers undertaking work to protect and improve the countryside access to £900 million of funding over the next five years.

The hard work carried out by teams in Forest Services to build interest and demand for the scheme in a very short period of time led to us offering more than 130 agreements to improve over 10,000 ha of woodland.

We have also continued to work with the sector to create more woodland, and this year £14.2m of Rural Development Programme funding was allocated to woodland creation enabling landowners to plant 1,329 ha of new woodland through Countryside Stewardship and to support recently planted woodland. Our continued support for woodland planting in England contributes to a broad range of natural capital benefits, including making a vital contribution to reducing the country's net carbon emissions.

As well as the important work carried out within England, we also rely on the knowledge and expertise of our cross-border teams who provide us with important research, evidence, guidance and advice.

We commissioned Forest Research to deliver a four-year science programme under the Science and Innovation Strategy for Forestry in Great Britain (SIS). The strategy provides the context and framework for our interdisciplinary research to meet the needs of the forestry sector across the UK.

Our National Forest Inventory work continues to provide accurate, up-to-date information about the size, distribution, composition and condition of our forests and woodlands. In 2015-16 we completed the first inventory cycle and are currently analysing the data from the full 15,000 one hectare sample squares.

With the Scottish Government's decision to complete the full devolution of forestry we will consider how these cross-border services are delivered in the future to ensure we retain this vital expertise and continue to work together where it makes sense to do so.

As we look to 2016-17 we will continue in our mission to protect, improve and expand our woodlands in the context of the wider Department for Environment, Food and Rural Affairs (Defra) strategy – Creating a Great Place for Living. Striving for a cleaner, healthier environment, a thriving rural economy and a nation better protected against flood and plant diseases is at our heart, and we will work with others to achieve this.

## **Executive Overview by Ian Gambles, Director England**

This has been a good year for the Forestry Commission, and staff throughout the organisation have worked hard to meet today's challenges and help build strong foundations for the future. Ministers, Commissioners, our business and NGO partners, members of the public and our customers have recognised the professionalism and enthusiasm of Forestry Commission staff in getting things done.

Supporting the private sector is a vital part of our work, and I have been delighted to see great progress this year in bringing more of England's woodlands into productive management, with businesses large and small working to increase sustainable management with targeted support from funds including the Rural Development Programme, Local Enterprise Partnerships, and the European Regional Growth Fund. The launch of the first stage of the new Forestry Innovation Fund to support planning for larger-scale woodland creation has also been a real highlight. In these respects and others, Forest Services has again proved itself a small organisation delivering a fantastic amount, and has been working increasingly closely with our colleagues in the Defra group to ensure co-ordinated local and national delivery for the benefit of our customers and the rural environment and economy as a whole.

Important challenges continue, ranging from the outbreak of Oriental Chestnut Gall Wasp in the summer of 2015 to the technical difficulties with the first year of Countryside Stewardship grants and the continuing damage to our forests and woodlands from deer and grey squirrel. As this report highlights, we tackle these challenges head on, and have worked hard to mitigate problems and protect, improve and expand our woodlands into the future.

The continuing process of devolution means that there is significant change to manage for the Commission. This year we prepared for the integration of important parts of our cross-border work, including inventory forecasting and statistics, into a refreshed Forest Research agency from 1st April 2016. We consulted with our trade unions about the establishment of separate corporate service arrangements for England, Scotland and Forest Research, and we have made significant progress in planning and implementing this decentralisation. We also supported discussions between the Westminster and devolved Governments about the future of cross-border co-operation, following the Scottish Government's decision to complete the full devolution of forestry, and look forward to enabling a positive process of change in the coming period.

The development of Forest Enterprise England as an increasingly autonomous and dynamic organisation within the Commission has been a highlight of the year, and I am confident Forest Enterprise England will continue to flourish. The Government's decision to protect funding for our public forests in the Spending Review was a real vote of confidence, and while we will have to maintain tight control of our expenditure in order to live within our means and support the Government's wider fiscal objectives, the financial settlement gives the whole organisation stability and confidence to operate effectively over the remainder of the Parliament.

## Purpose and Activities of the Organisation

### Who we are

Forestry Commission England is responsible, as government's forestry experts, for advising Ministers on forestry matters and for implementing forestry policy. We achieve this through the management of a 250,000 hectare estate and by enabling other landowners to protect, improve and expand their woodlands. We achieve this in line with internationally recognised standards of sustainability.

The Forestry Commission is a non-ministerial Government Department and has a Royal Charter. While most forestry functions are now provided at country level, a number are still provided centrally.

### Our priorities

The Forestry Commission works with others to protect, improve and expand our nation's forests and woodlands, increasing their value to society and the environment.

Everything we do is focussed on achieving the following objectives:

- **Protecting** our trees, woods and forests from increasing threats such as pests, diseases and climate change.
- **Improving** our woodland assets, making them more resilient to those threats and increasing their contribution to economic growth, people's lives and nature.
- **Expanding** our woodland resources to increase their economic, social and environmental value.

The priorities for the Cross Border activities focus on the following common themes:

- **Resilience:** Protecting our woodland resource and increasing its resilience to pests, diseases and the impact of climate change so that our woodlands continue to deliver a wide range of economic, social and environmental benefits.
- **Evidence:** Ensuring that there is a robust evidence base available to the forestry authorities across the UK to underpin their policies, decisions and advice.
- **Standards:** Setting the standards for sustainable forest management and woodland carbon projects in the UK and promoting it domestically and internationally.

### Our values

Our values determine how we behave in fulfilling our objectives. They are:

- **Teamwork** – We work collaboratively with each other and our stakeholders, ensuring trees, woods and forests meet the needs of society.
- **Professionalism** – We enjoy and take pride in our work, acting with integrity and political impartiality to achieve high standards of health and safety, quality, efficiency and sustainability.
- **Respect** – We value each other and our stakeholders, recognising diverse perspectives and treating everyone with consideration.
- **Communication** – We are open, honest and objective with each other and our stakeholders. We are prepared to challenge and to be challenged.
- **Learning** – We are always learning, developing the skills, knowledge and behaviours to support organisational success.



- **Creativity** – We seek new ways of doing things, sharing ideas and embracing change.

## Defra Strategy

The Defra Strategy sets out a shared vision and set of strategic objectives for the whole of Defra for the period up to 2020. It is intended to provide staff across the whole group of Defra organisations (including non-ministerial departments, executive agencies, non-departmental and other public bodies) with a clear, shared framework. Actions to achieve the strategic objectives are described in more detail in Defra's Single Departmental Plan.

The strategy provides a clear unifying framework for how we will design and deliver our goals, track delivery and measure success across the whole of Defra. At the heart of the strategy is our shared vision for the Defra group: creating a great place for living.

Our goals are focused on four impact objectives, which explain our ambitious, long term aims, and the positive differences we will make to the UK by 2020. We have one delivery objective, which describes the high levels of service and value for money for the taxpayer which we will strive for.

The strategy sets out two organisational objectives outlining how we organise ourselves to deliver, and what Defra will be like: a Defra that will act together, be simpler, avoid duplication, maximise impact, and embrace digital and data.

Cutting across the strategy are four themes that are critical to achieving our objectives and will deliver important outcomes in their own right: better use of data; increasing productivity; better regulation; and working internationally.

## Delivery of our objectives in 2015-16

This Annual Report summarises performance against the activities set out in the Forestry Commission England Corporate Plan and the Corporate Plan for Forestry Commission Cross Border activities.

## Protect

### Tree health - helping the sector reduce the threat from diseases of forest trees

#### Surveying for key pests and diseases

*Hymenoscyphus fraxineus* (Chalara): 1326 sites and an additional 206 individual trees were surveyed. 103 sites were confirmed in the wider environment as a result.

Following the confirmed outbreak of *Dryocosmus kuriphilus* (Oriental Chestnut Gall Wasp - OCGW), approximately 3200 Sweet Chestnut trees were surveyed around Farningham wood in Kent and approximately 235 Sweet Chestnut trees over 110 sites were surveyed surrounding the Ashley Road outbreak in St. Albans, Hertfordshire. No further signs of OCGW were found.

*Cryphonectria parasitica* (Chestnut Blight) and *Dryocosmus kuriphilus* surveys included over 1750 individual trees within 107 plots. Lab analysis of suspected sites confirmed that none of these sites tested positive for infection.

Canker stain of Plane (*Ceratocystis platani*) and Bacterial Leaf Scorch (*Xylella fastidiosa*): 46 publically accessible sites were surveyed from ground level by competent arboricultural specialists. No suspicion of *C platani* or *X fastidiosa* was found in 813 trees surveyed.

In July 2015 an outbreak of *Thaumetopoea processionea* (Oak Processionary Moth) was found within the Guildford district of Surrey, a designated Protected Zone. Action is being taken to establish the extent of the outbreak and

control the pest. Initial analysis suggests that this is likely to be a new outbreak. Eradication of this outbreak may be possible, however due to the close proximity to the main outbreak areas in London, and high volume of oak in the area, the chances of re-infestation in future years are high.

Wider surveying for Oak Processionary Moth (OPM) outside the designated 'Protected Zone' resulted in no evidence of activity in any of the 1140 individual oaks surveyed across 63 Local Authority parks. Overall £1.5 million was invested in 2015-16 to control the spread of OPM.

The Plant Health risk register identified surveying for *Hyphantria cunea* (Fall/Autumn Webworm) as a high priority around locations where single adults were trapped in 2014. Over 5500 individual moths of 207 species were recorded at 3 sites and *Hyphantria cunea* was not found, suggesting that a substantial population of the moth is not present in the vicinity of the previous captures.

Ongoing monitoring for *Anoplophora glabripennis* (Asian Long-horned beetle) in Kent has found no evidence of residual infestation.

27 survey flights for *Phytophthora ramorum* were undertaken. These flights surveyed 58,470 ha of larch in both private and publically owned forest and woodland. In the process of doing so 1,060,578 ha of National Forest Inventory recorded woodland was monitored. Surveillance identified 223 suspect sites in England compared to 292 in 2014. Investigation of these suspect sites resulted in 65 being confirmed with infection and receiving a Statutory Plant Health Notice (SPHN). The average size of SPHN this year was 0.98 ha. In 2014 it was 1.8 ha and in 2010 it was 10.3 ha. As at the end of November 2015, 3,287 ha of larch in England has been placed under a SPHN, which equates to just under 8% of the total.

#### Tree health communications strategy

We implemented a seasonal communications campaigns for oak processionary moth, distributed updated advice on Chalara ash dieback and *Phytophthora ramorum*, published new web pages on emerging threats, and further developed our new 'Tree Health News' newsletter.

Following the outbreak of OCGW in Kent, we worked with Defra, APHA and Sevenoaks District Council to rapidly distribute information, resulting in almost universally factual, measured media coverage.

We supported the launch of Observatree, a nationwide network of volunteer tree health surveyors trained by our Forest Research agency, who quickly proved their value by finding a second outbreak of OCGW, preventing a worse situation developing.

We launched 'Keep it Clean', a biosecurity campaign to encourage tree professionals to adopt best practice to minimise the risk of spreading pests and diseases, complementing a similar campaign by Forestry Commission Scotland.

#### Plant health database

The viability of a generic data model for Tree Health (TH) has been confirmed by testing it for *P ramorum*, Oak Processionary Moth (OPM) and Chalara. This data model provides a basis for exchanging TH data across the Forestry Commission and with wider stakeholders to support pest and disease outbreak surveillance and control.

A spatially enabled physical database has also been built and populated with *P ramorum* data. In time this will provide an integrated, spatially enabled and consistent dataset holding TH data across pests and diseases and countries, which can be made available – with appropriate security – to wider stakeholders.

## **Regulate to protect the woodland resource**

### Tree felling

Forestry Commission England issued 2,423 felling licences which were not linked to new grant agreements in 2015-16. These covered an area of 31,946 hectares.

We received 157 reports of alleged illegal felling, the felling of trees without the required licence. Following investigation, 38 reports were identified as breaches or possible breaches of the controls on tree felling:

- 5 investigations resulted in Forestry Commission England serving a Notice to restock land with trees;
- 9 investigations resulted in Forestry Commission England serving an initial restock Notice, a precursor to a restock notice;
- 4 investigations resulted in formal warnings being issued;
- 0 investigations led to advisory letters being issued; this is where an offence could not be confirmed; and
- 20 investigations are either still pending a decision on the final action or are in the process of having a Restocking Notice issued.

A further 23 Restocking Notices were issued in the year as a result of investigations into reports of illegal felling that had taken place in previous years.

### Environmental Impact Assessment (EIA)

During the year, we looked at 64 cases covering 462ha of land, of which, 30 cases required our consent. Of those requiring our consent one led to a determination under the Environmental Impact Assessment (Forestry) (England and Wales) Regulations 1999 that the project required a full Environmental Statement.

## **Woodland resilience**

### Deer

The Forestry Commission, in partnership with Natural England, issued an invitation to apply through a competitive process for grant to deliver collaborative deer management in England for the next four years.

The award panel considered two bids and it was agreed that the Deer Initiative Ltd had submitted the best bid. The award was confirmed and the grant duly offered.

The competitive grant arose following the Forestry Commission's 2014 review of its approach to collaborative deer management in England and it was decided to market test whether there was a better way of achieving the desired outcomes more cost effectively. The new grant includes a more definable geographical focus, greater focus on outcomes and better defined measures.

### Squirrels

The Forestry Commission continues to work with the Squirrel Accord, supporting delivery of Government's policy on squirrels. We are running a joint project with the Accord and the National Forest to test whether the Forest's vulnerability index can be applied more widely. The Countryside Stewardship woodland management grants released in summer 2015 are the first to require woodland managers to assess the risk squirrels pose to their management objectives and to take appropriate action where the risk is significant, increasing the area of woodland where grey squirrel impacts are being managed.

### Implementing adaptation

We worked with the sector's climate change Steering Group to publish the forestry sector's Climate Change Accord, which 38 organisations have now signed up to. The review of our Adaptation reporting Power Report has been drafted, which concludes that our outline adaptation programme from the first round report has broadly been achieved, but that considerable work across the sector is still required.

### Woodland condition monitoring

The National Forest Inventory team has extracted information about the condition of the UK's woodlands. This information will be published later this year, and will assist in targeting interventions to bring more woodland back into management. Stakeholder groups have tested the information and will continue to be engaged before publication.

### Contingency planning

The contingency planning framework has been updated utilising lessons learnt from experience this year of anticipating emergencies and responding to incidents. Catastrophic Windblow, Major Wildfire and Animal Pest and Diseases contingency plans are in place. We are awaiting confirmation of Defra's Plant Health Contingency Plan. New lone person working procedures are now in place.

Forestry Commission's Incident Management System has been used on several occasions in 2015-16 in anticipation of possible incidents, such as; potential catastrophic windblow emergency during Storm Desmond in December, and operational response to a major incident of OCGW outbreak in June/July.

### Urban adaptation and green infrastructure

In order to gain greater support for the benefits of urban forestry and provide leadership across the sector, the Urban Forestry and Woodland Advisory Committee Network have produced a new document entitled "A Vision for a Resilient Urban Forest". The document brings together research, evidence and case studies to demonstrate the potential of the urban forest and what it might ideally look like across the cities and towns of England. The Vision document has been well received and during 2016 the Network will be seeking wider endorsement from across the sector, looking to influence and support enhanced local delivery. The document is available from [www.forestry.gov.uk/urbanforestry](http://www.forestry.gov.uk/urbanforestry)

## **Improve**

### **Work with the sector to increase the proportion of woodlands and forests that are sustainably managed**

#### Woodland Management Plans

We continued to support, through grant aid, the putting in place and subsequent approval of UK Forestry Standard compliant Woodland Management plans. This is to ensure the comprehensive and long-term approach to sustainable forest management, approving circa 600 management plans on over 30,000 hectares of woodland in 2015-16. Management plans help underpin mechanisms that enhance the value of home-grown timber such as: UK Woodland Assurance Scheme, Government timber procurement standard (CPET), Renewable Heat Incentive payments and Grown in Britain licensing.

#### 'Practical Actions Project'

This work draws on the findings of the segmentation study into woodland management published in March 2015. The first part of this project has summarised the detailed research into short factsheets. Work on Part 2 was initiated this year with Forest Research to determine tools and methodologies to support field teams and (potentially) partner organisations to facilitate and enable bringing more woodlands into management or improve management practices currently in place. The project is part of increasing focus on bringing woodlands into management and has supported a steady increase in the area of woodlands under a Forestry Commission approved management plan by over 17,000 hectares in 2015-16 to over 230,000 hectares.

### Grown in Britain

Licences promoting British timber were taken out by woodland and forest owners, timber processors, sawmills, woodfuel suppliers and furniture makers. Licenced businesses manage around 200,000 ha of woodland and process around 1million tonnes of timber annually. Grown in Britain also secured slots on national television and radio programmes where it promoted the active management of woodland and use of wood in construction and as fuel. A Grown in Britain consortium successfully competed for funding from Innovate UK that is being used to identify how hardwood supply chains can be made more competitive and supply more timber products to market. Grown in Britain received funding for its contribution to the 'Making Local Woodlands Work' project run by the Plunkett Foundation and funded by the Big Lottery. Grown in Britain week saw businesses and the Defra Secretary of State, Liz Truss, celebrate British softwood and hardwood timber at Heals furniture store on Tottenham Court Road, London.

### Administrative performance

The Forestry Commission is committed to Customer Charter targets of reaching decisions on 85% of applications within 11 weeks and payments within 4 weeks. Overall Customer Charter performance in 2015-16 was 85%. For Felling licences (86%), Title 1 (revenue) claims (84%) and Title 2 (capital) claims (92%). Performance measures for Countryside Stewardship applications are under consideration by the Forestry Commission and Natural England.

### Countryside Stewardship

Woodland Improvement 2015: Woodland Improvement is part of the Higher Tier offer in Countryside Stewardship. 139 agreements were issued for work in 2016 to improve over 10,000 ha of woodland. This support has been targeted towards 4 key priorities - PAWS Restoration, Priority Habitats, Priority Species and transformation to Continuous Cover Forestry systems.

Woodland Improvement 2016: the initial application window closes 31st May 2016. The request for application packs has reflected an increased interest in the scheme this year.

### Local Enterprise Partnerships (LEP)

The Forestry Commission has been instrumental in securing £2.8 million European funding for forestry sector business improvements across two LEPs in South East England – Enterprise M3 and Coast to Capital under the Government's Growth Deal. The Forestry Commission is now working with stakeholders to develop two further funding opportunities in these LEPs and a further bid to the Heart of Southwest LEP under axis 4 of the European Regional Development Fund (low carbon). In addition, engagement has been ongoing with a targeted subset of the other LEPs across England to raise the profile of the forestry sector and ensure forestry businesses are included in plans for the Low Carbon Growth Programme more widely, as well as making connections to other European structural investment and development delivery priorities. The Cumbria LEP has also earmarked investment funding for forestry and the potential creation of a Woodland Enterprise Zone.

### Forestry Skills.

We supported the creation of an online forestry careers portal, hosted by the Royal Forestry Society, through the Forestry Learning and Development Working Group. We supported the creation of a new apprenticeship standard, under the government's Trailblazer programme, by working with forestry businesses and others. We ran training courses for professionals, in partnership with the Institute of Chartered Foresters (ICF), to raise the professional practice of the sector and increase capacity for management planning.

### Timber Transport Forum

The Forestry Commission contributes to the employment of the Forum's project officer, now a 0.8 full-time equivalent post. The Timber Transport Forum website has been renewed as an up to date information hub on all things timber transport. <http://timbertransportforum.org.uk/>. The GB Agreed Routes Map contract was reviewed and it is proposed that the contract will be renewed for a further year.

Guidance dealing with the issue of roadside stacking and loading on the public road has been published and covers legislation across Great Britain. The Forum continues to contribute to the Forest Industry Safety Accord (FISA) discussions regarding timber haulier training and guidance.

#### Enabling Forestry agents to target unengaged woodland owners

Six events brought together forestry contractors, owner-producers and other forestry businesses to discuss grant scheme eligibility and opportunities. In addition, further 'application masterclasses' were held to try to improve the quality of grant applications. The Forestry Advisory Consortium England provided one to one support to identify the most appropriate technical solutions and grant options for forestry businesses. As part of the delivery of Rural Development Programme for England (RDPE), Forest Services contributed to a series of workshops hosted by the ICF designed to increase the quality of woodland management plans and reduce approval times.

## **Expand**

### **Work with the sector to create more woodland**

#### Woodland Creation Planning Grant

We launched a new Woodland Creation Planning Grant (WCPG) funded through the Forestry Innovation Fund announced in the March 2015 budget. Applications for 1150 ha of new, large-scale productive woodland were received by the end of March 2016.

Woodland Creation 2015: Woodland Capital grants under Countryside Stewardship, including woodland creation, opened for applications in February 2015. 132 agreements were issued which will support 918 hectares of new woodland planting.

Woodland Creation 2016: the initial application window for woodland creation 2016 closed on the 31<sup>st</sup> March 2016. 204 applications were received.

#### Environmental Impact Assessment pilot project

The first phase of the 'EIA pilot' in County Durham has been completed. We have set out what is expected of good woodland creation proposals, prepared new woodland design case studies appropriate to northern England, set out a new approach for incorporating forestry into Natural England's National Character Area 'Statements of Environmental Opportunity' and achieved developed consensus on landscapes where there are low sensitivities to woodland creation. The work has been extended across northern England and we have also consulted on whether or not it would be appropriate to increase the threshold for EIA screening for woodland creation proposals in these low sensitivity landscapes.

#### Helping to meet the UK's Carbon Budgets

We have worked closely with Defra and Department of Energy and Climate Change (DECC) on evaluating forestry's potential contribution to meeting the fifth Carbon Budget. Our assessments indicate that although woodland creation could only make a small contribution to meeting the fourth Carbon Budget (2023-2027), a sustained and enhanced rate of woodland planting in England could reduce net carbon emissions up to 22 million tonnes carbon dioxide equivalent over the course of the ninth Carbon Budget (2048-2052).

## **Cross-Border**

### **Resilience**

#### Delivery of the Plant Biosecurity Strategy for Great Britain

The Forestry Commission continued to work with colleagues in Defra and the Welsh and Scottish Governments to deliver tree health aspects of the Plant Biosecurity Strategy for Great Britain. A strengthened programme of work

included measures to prevent entry of tree pests, interceptions at the border, surveillance activity inland and tackling new pest outbreaks before they became established. Research was commissioned to improve resilience and to mitigate threats to trees and, where necessary, to adapt to potential future impacts.

#### Pre-border activity

The Forestry Commission worked closely with Defra and the Devolved Administrations to evaluate new threats to trees and to recommend actions to prevent entry or to mitigate the impact from established tree pests and diseases. The Defra Plant Health Risk Group met monthly during the year to add and to review entries to the Plant Health Risk Register. There were 48 new or emerging threats to trees evaluated and added to the register and 13 rapid pest risk assessments have been carried out in response to the initial evaluation.

#### Control at the border

Plant Health Service inspectors carried out 3597 documentary and physical checks on imports of controlled wood and bark. There were interceptions of ash from the USA and the volume of material involved was approximately 106 m<sup>3</sup>. Inspectors also carry out physical checks of certain commodities imported with wood packaging material and dunnage. The compliance rate with material associated with commodities like steel has been poor and in some cases live insect infestations have been detected. Statutory notices were served on importers to destroy non-compliant material (128), re-export (8) and instructions (9) to notify inspectors in advance of any subsequent landings. There were more than 117 interceptions of non-compliant wood packaging (including dunnage). A rare finding of *Ips typographus* (8-toothed European spruce bark beetle) was made on the Humber in port pheromone traps and although no source was confirmed it is thought to have been associated with imports of sawn conifer timber from Latvia.

#### Inland surveillance and monitoring

The Forestry Commission Plant Health Service continued to support the England surveillance programme, as detailed under Tree Health on page 6.

#### Woodland Carbon Code

As of 31st December 2015, 220 projects are registered with the Woodland Carbon Code. Registered projects cover an area of 15.8 thousand hectares and will sequester 5.8 million tonnes CO<sub>2</sub> over their lifetime. Monitoring and verification procedures have been piloted and will come into force in 2016 to enable the first verified credits to be released. A small woods scheme has also been launched to encourage the creation of more small woods on farms. 14 projects have been validated during 2015, bringing the total to 114. The Code continues to attract widespread interest in the UK and overseas, and we are supporting the development of similar work in Turkey, France and Ireland.

## **Evidence**

#### Research

A new inter-disciplinary programme of research was commissioned from Forest Research at the start of the year to deliver the Science and Innovation Strategy for Forestry in Great Britain (SIS). This comprises seven programmes of work across the spectrum of forestry research. Full details of each programme are available on the Forestry Commission website research pages.

#### Economics

A major review of economic valuation needs in forestry has been completed by a team from Exeter University led by Prof. Ian Bateman and will be published later this year. We are working with Defra and the Environment Agency to demonstrate the economic value of woodland in flood alleviation and we have commissioned an evaluation of the wider social and environmental benefits delivered by the Woodland Carbon Code. We are also continuing to provide economic analysis to inform pest and disease management strategies and options.

## Statistics

We produced a number of Official Statistics releases in 2015-16. These included the following releases that have been designated as National Statistics, in accordance with the Statistics and Registration Service Act 2007 and signifying compliance with the Code of Practice for Official Statistics:

- “Forestry Statistics 2015”;
- “Forestry Facts & Figures 2015”;
- “Timber Price Indices: Data to March 2015” and “Timber Price Indices: Data to September 2015”;
- “UK Wood Production and Trade: 2014 provisional figures”; and
- “Woodland Area, Planting and Re-stocking: 2015 edition”.

Other Official Statistics releases included the biennial Public Opinion of Forestry Surveys, the quarterly Woodland Carbon Code Statistics and the annual Nursery Survey.

We have provided UK forestry statistics to two key international forestry statistical publications:

- The Global Forest Resource Assessment 2015, produced by the United Nations Food and Agriculture Organisation, was launched at the XIV World Forestry Congress in September 2015, providing a broad range of forestry statistics for all countries; and
- The State of Europe’s Forests 2015 was launched at the 7th FOREST EUROPE Ministerial Conference in October 2015, providing European data on a range of indicators of sustainable forest management.

We have also provided support to the Office for National Statistics and to Defra on the development of natural capital accounts for forestry. The latest UK estimates were released as experimental statistics by the Office for National Statistics in UK Environmental Accounts 2015.

## The National Forest Inventory (NFI)

The NFI is a multi-purpose programme to provide accurate, up-to-date information about the size, distribution, composition and condition of our forests and woodlands.

We completed the first inventory cycle during 2015 and are currently analysing the data from the full 15,000 one hectare sample squares. Reports will be prepared and published during 2016 and 2017. Other work undertaken during 2015-16 includes:

Publication of ‘Updated NFI woodland map and associated woodland area statistics’; Prepare report on woodland canopy change 2006-14; ‘Prepare report on the extent of small woods and lone trees outside of woodlands’; Publish ‘Report of the 25 year conifer timber production forecast, including standing volume estimates’; ‘Tendering and commencement of second cycle field survey’; ‘Full elaboration of 2016 Habitat Condition Report Indicators’ and ‘Provision of estimates of carbon stocks in woodlands for inclusion into the UK Carbon Accounts’.

## Publication archive

Last year we established a digitisation programme for out-of-print publications. This work is continuing and some 400 titles have been digitised to date to that ensures that out of print titles remain available. The online catalogue at [www.forestry.gov.uk/publications](http://www.forestry.gov.uk/publications) has been upgraded with an archive section this year and more titles added.

## **Standards**

### The UK Forestry Standard (UKFS) and Guidelines

The UKFS articulates the UK’s approach to sustainable forest management. Following ministerial agreement across the countries we have now embarked on a light touch review to update the guidelines, which will conclude in 2016. The UKFS has proved particularly valuable in relation to sustainable biomass, the EU Timber Regulation, the promotion of the UK Woodland Carbon Code and timber procurement policy. The UKFS also remains the foundation of the Grown in Britain (GiB) initiative.



## **International Forestry**

Forestry Commission support was provided to Defra for their lead in international forestry policy through expert policy and technical advice. We did this by representing the UK at a range of international fora, and by sharing our forestry expertise with the international community. We worked to develop and broker a common view amongst the countries and Defra, the forestry sector and across Whitehall. Some examples include FOREST EUROPE; the Post 2015 International Arrangement on Forests (IAF); and the EU Standing Forestry Committee (SFC).

## **Forestry and Woodland Advisory Committees**

Our Forestry and Woodland Advisory Committees have continued to inject their expert individual and wider network sources of expertise and advice, and deliver local leadership contributions, to our key priorities for protecting, improving and expanding woodlands. Highlights have included helping to advance some forestry sector growth initiatives with local economic partnerships, promoting forestry learning priorities, finalising a new vision for the urban forest and advocating the need for heightened awareness and actions to tackle resilience, pest and disease threats to woodlands. The Committees produced a co-authored second annual report which shows the full range of work they have done during the year and this, together with information on the role of the Committees, can be found on our web site at, [www.forestry.gov.uk/england-rac](http://www.forestry.gov.uk/england-rac).

## **Issues and Risks**

The key issues and risks that could affect the entity in delivering its objectives are seen as:

### **Tax**

Ongoing HMRC tax audits have already resulted in the retrospective payment of tax liabilities and there are further material risks which are noted in our accounts as unquantified contingent liabilities.

### **Organisational reform**

The Forestry Commission has already embarked on a significant programme of structural change in the light of the continuing process of devolution and the report of the Independent Panel on Forestry. Scottish Ministers' commitment to legislation to take over the powers of the Commission in Scotland has further important consequences for the organisation which we will continue to explore with the UK, Scottish and Welsh governments in the coming year.

### **Additional costs**

The timing of structural change within Central Services may lead to significant additional costs arising which may affect all parts of the Forestry Commission for a period in accordance with agreed devolution protocols.

### **Business continuity**

The uncertainty regarding future structural change has led to an increase in the loss of key staff within Central Services and the risk of disruption to business continuity.

### **Biosecurity**

New tree pest and disease outbreaks last year were on a relatively limited scale, but Ministers have taken a very robust stance, favouring intensive counter-measures. In the event of a major new outbreak, or unfavourable development of an established issue, the costs of action could be substantial.

## Woodland creation

Ministers continue to show strong interest in woodland creation, including potentially large scale initiatives. These are likely to have a significant implementation cost, including administration, which would need to be factored into overall Defra business planning.

## Common Agricultural Policy (CAP) Delivery

Challenges with delivering Countryside Stewardship functionality in the first year of the new Common Agricultural Policy required the Forestry Commission to deploy manual contingencies at additional cost.

## Performance Summary

Resources to fund our activities in England and our Cross Border functions come from Defra, from the European Union, from local authorities and non-governmental organisations.

Funding for Forestry Commission England/Central Services in 2015-16 was subject to negotiations with Defra prior to the Spending Review 2015.

In addition to the expenditure shown in our accounts, Forestry Commission England manages grant schemes on behalf of Defra. These schemes total a further £24.4m (2014-15 £34.8m) of public funds that are administered by Forestry Commission England/Central Services staff.

## Significant variances against Budget

The comparison of resource and capital expenditure outturn to budget is shown below.

	2015-16			Net Total	Outturn comparison to budget
	Net Budget total	Gross Expenditure	Income		
	£000	£000	£000	£000	£000
Resource Departmental Expenditure Limit (RDEL)	49,298	72,515	(24,446)	48,069	(1,229)
Resource Annually Managed Expenditure (AME)	(650)	(397)	-	(397)	253
<b>Total resource outturn</b>	<b>48,648</b>	<b>72,118</b>	<b>(24,446)</b>	<b>47,672</b>	<b>(976)</b>
Capital Department Expenditure Limit (CDEL)	835	550	-	550	(285)
<b>Total capital outturn</b>	<b>835</b>	<b>550</b>	<b>-</b>	<b>550</b>	<b>(285)</b>

The Net Budget Total includes Supplementary Estimate budget switches and variances approved by Defra.

The RDEL underspend is the product of a number of minor variances across the organisation, including a £0.7m ring-fenced underspend on depreciation. The CDEL underspend reflects reduced enhancements on the Grants and Licences Online System (GLOS) and a reduced volume of vehicle and information technology purchases against the original budget.

The variance on AME is related to an under-utilisation of provisions.

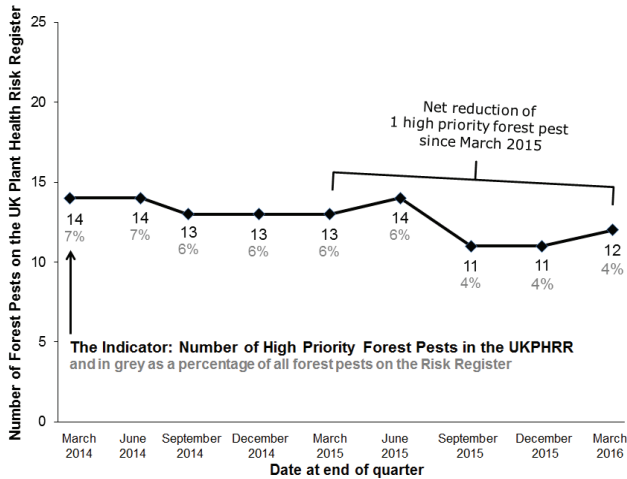
## Performance Analysis

### Forestry Commission England Key Performance Indicators 2015-16

#### Forest Services

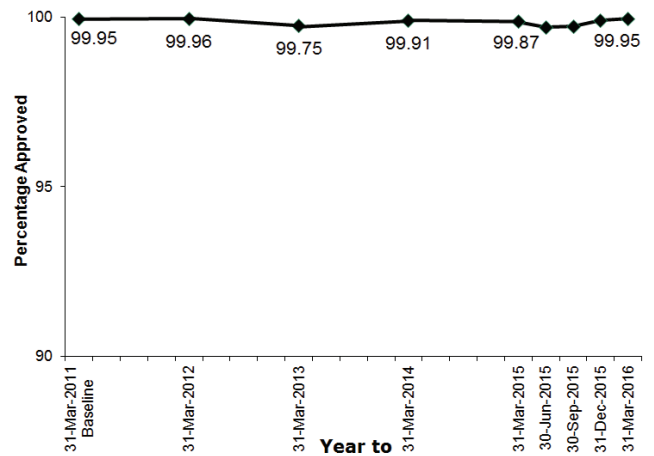
##### Protection

Number of high priority forest pests in the UK Plant Health Risk Register (UKPHRR)<sup>1</sup>



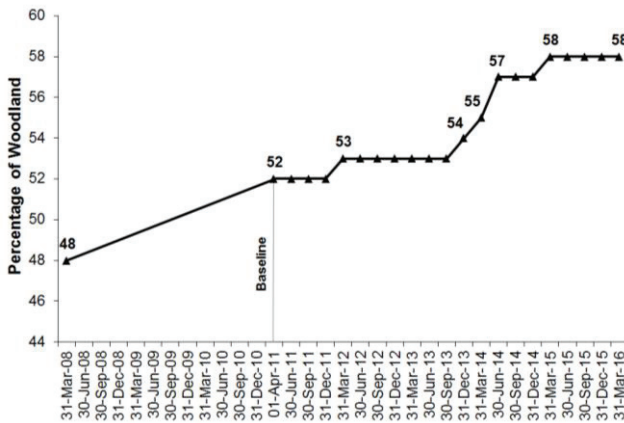
##### Protection

Percentage of known tree felling carried out with Forestry Commission approval<sup>2</sup>



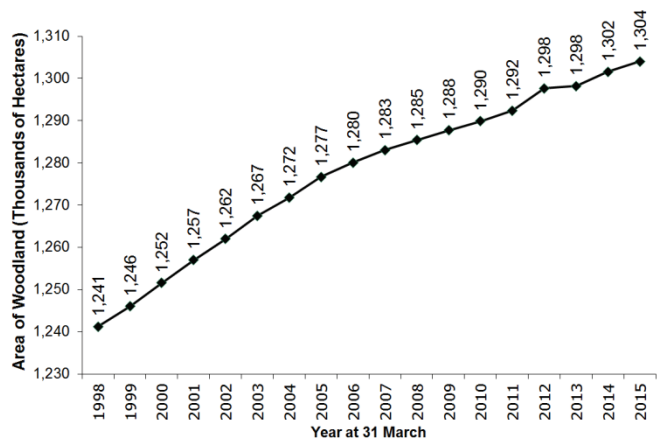
##### Improvement

Percentage of Woodland in Active Management<sup>2</sup>



##### Expansion

Area of Woodland in England<sup>3</sup>



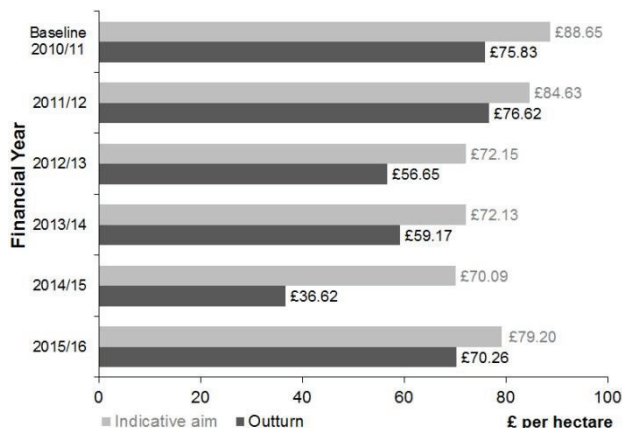
1 Source: UK Plant Health Risk Register (UKPHRR)

2 Source: Forestry Commission administrative data

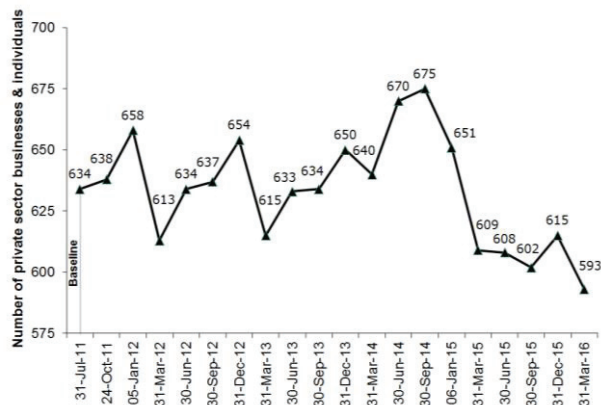
3 Source: Forestry Statistics including Forestry Commission administrative data and the National Forestry Inventory

## Forest Enterprise

### Cost of managing the Public Forest Estate<sup>1</sup>



### Number of private sector businesses operating on the Public Forest Estate<sup>1</sup>



<sup>1</sup> Source: Forestry Commission administrative data

Forestry Commission England's Corporate Plan 2015-16 sets out our current key performance indicators to show our contribution to enabling the protection, improvement and expansion of forestry and woodlands in England. The latest reports for the six headline indicators are graphed above and described on this page. The indicators reflect our commitment to deliver our part of Defra's priorities as set out in its new business plan; including tree planting, championing of woodlands and helping to protect them against tree pests. The indicators also reflect our achievements in further developing evidence-based working and ensuring people are clear about key trends for the forestry sector.

### Protection

**Number of high priority forest pests in the UK Plant Health Risk Register (UKPHRR)<sup>1</sup>:** At the end of March 2016 there are 12 high priority forest pests in the UKPHRR that require actions – in addition to mitigations already implemented - to prevent them having a potentially substantial negative impact on England's woodland. These 12 (4%) of the 268 forest pests in the UKPHRR are 'high priority' because their mitigated relative risk rating is 15 or more. Despite an increase in the number of 'medium priority' pests, there is a net reduction of one 'high priority' pest from the March 2015 baseline. Oriental chestnut gall wasp became high priority after UK outbreaks in 2015 increased its likelihood score and Sakhalin fir bark beetle became a high priority following a European and Mediterranean Plant Protection Organisation (EPPO) Pest Risk Analysis (PRA). Three organisms were reassessed with risk ratings of less than 15 following updated PRAs: fine-horned spruce borer, pine processionary moth and *Phytophthora austrocedri*. The overall reduction is therefore due to detailed risk assessments and because more effective combat strategies have been developed. Further information about this indicator can be viewed in our [Headline Indicator Update](#).

**Percentage of known tree felling that is carried out with Forestry Commission approval** (i.e. the % of felling that is licensable by the Forestry Commission that is not illegal felling. This excludes felling with development approval). Report for year to 31 March 2016: **99.95% of known tree felling was carried out with Forestry Commission approval**. This report for the 2015-16 financial year continues to show a strong and consistent performance indicating a high level of compliance with the Forestry Act.

### Improvement

**Percentage of woodland in active management (including the Public Forest Estate):** Position at 31 March 2016: **58% of English woodland is actively managed**. There has been a modest increase in the proportion of

woodland that is actively managed through the year, resulting in an increase of 0.3% which equates to approximately 3,500 ha.

### Expansion

**Area of Woodland:** As at 31 March 2015, the **area of woodland in England was 1,304,000 ha**, an increase of 2,000 ha on the previous year. Since the 2010 baseline, the area of woodland has increased at a mean rate of 2,800 ha per year. This compares to a mean rate in the 5 years prior to that of 2,600 ha per year. Increase in this Area of Woodland Indicator includes woodland created from all measured sources and is reported on an annual basis. Since that date there has been 546 ha of new planting supported directly by the Rural Development Programme for England. Issues with an initial poor uptake of Countryside Stewardship for woodland creation and the late issuing of agreements has resulted in low planting figures for the final quarter of 2015-16. We anticipate an amount of planting being undertaken in April 2016 which will be reflected within the next year's figures.

### Forest Enterprise England

#### **Restructuring our Business: Cost of managing the Public Forest Estate (per ha)**

Outturn for 2015-16: **£70.26 per ha**, against a target of £79.20 per ha. The draft outturn figure is £8.5m more than the 2014-15 outturn. Around half of this (£4.1m) was due to staff vacancies, stock adjustments and revised programme timings, which suppressed relatively the 2014-15 costs. Costs in 2015-16 increased due to depreciation, pay award and pensions cost increases, Forestry Commission staff transfers, service charges and increases to operational programmes. Income in 2015-16 is marginally higher than 2014-15. The net position shows good performance against the 2015-16 target with Forest Enterprise England coming in below the cost target by around £2m.

**Forest Enterprise Customer Service: Number of Private Sector Businesses Operating on the Public Forest Estate (PFE).** Position at 31 March 2016: **593 private businesses and individuals**. The indicator has seen some of its seasonal readjustment and further consolidation in the category of licences and permissions i.e. temporary businesses, but not to the same level as in previous years between December and March. The main franchise businesses continue to expand their offer across multiple sites, with Adventure Forest in particular opening new Go Ape activities on the Public Forest Estate during 2015.

<sup>1</sup> *There are many native and non-native forest pests that are not included in the UKPHRR.*

## **Sustainability Report**

Forestry Commission England/Central Services carries out sustainability reporting in line with the Greening Government Commitments (GGC) and the FReM reporting requirements. The environmental impacts of the organisation's forest management support activities on the built estate are managed through our Environmental Management System (EMS) which is designed to deliver our environmental policy, with performance improvement targets for reducing fossil fuel-based energy and reducing waste and our use of water. Our EMS meets the requirements of the internationally recognised standard for EMS, BS EN ISO 14001 2004. The EMS is independently assessed for certification by accredited 14001 assessors. Forestry Commission England/Central Services are responsible for the development, review and implementation of United Kingdom Forestry Standard (UKFS) across the wider woodland resource, also providing the basis for certification through the UK Woodland Assurance Standard (UKWAS).

Performance Measurement (KPIs)		2012-13	2013-14	2014-15	2015-16
<b>Business Travel</b>	Total miles	3,102,321	2,813,677	2,851,421	2,525,624
	tonnes CO <sub>2</sub> e↑	804	675	657	589
	<b>Expenditure (£)</b>	<b>978,233</b>	<b>892,920</b>	<b>911,495</b>	<b>808,983</b>
<b>Electricity, Gas and other heating fuels</b>	Consumption (KwH)	1,943,026	2,116,397	2,131,184	1,979,127
	<b>Expenditure (£)</b>	<b>189,324</b>	<b>210,935</b>	<b>187,335</b>	<b>217,509</b>
	tonnes CO <sub>2</sub> e↑	1,009	1,110	1,112	1,053
<b>(Renewable energy of the estate is recorded in the Forest Enterprise England Sustainability annex)</b>	% Renewable	N/A	N/A	N/A	N/A
<b>Total Energy (Scopes 1, 2 &amp; 3) Estate and Travel</b>	tonnes CO <sub>2</sub> e↑	1,813	1,785	1,769	1,642
	<b>Expenditure (£)</b>	<b>1,167,557</b>	<b>1,103,855</b>	<b>1,098,830</b>	<b>1,026,492</b>
<b>Sewerage/Waste water 5% Allocation</b>	<b>Expenditure (£)</b>	<b>3,014</b>	<b>2,418</b>	<b>1,337</b>	<b>5,287</b>
<b>Estate and office Waste 2% Allocation</b>	Amount (Tonnes/m <sup>3</sup> )	52	49	43	64
	<b>Expenditure (£)</b>	<b>4,135</b>	<b>2,087</b>	<b>3,658</b>	<b>6,661</b>
<b>Estate and Office Water 5% Allocation</b>	Quantity (m <sup>3</sup> )	5,657	4,659	6,437	5,876
	<b>Expenditure (£)</b>	<b>8,090</b>	<b>6,662</b>	<b>205</b>	<b>8,402</b>

## Overview

The Forestry Commission works with others to enable sustainable forest and land management and to manage its own environmental impacts where ever it is located, whether as a tenant or landlord. Future focus is on:

- continuing certification to BS EN ISO 14001-2004 for all of Forestry Commission England;
- co-operating with others to reduce their environmental impacts;
- overseeing and advising on the woodland carbon code;
- promoting resilience to environmental change across the wider woodland resource;
- administering grants and delivering support, enabling an increase in sustainably managed forests providing quality public benefits from natural capital;
- reducing energy needs from fossil fuel-derived sources and supporting sustainable wood fuel; and
- reporting sustainable timber use in accordance with policy commitments.

## Summary of future strategy

The Executive Board has approved a set of key performance indicators, which combined with our improving data monitoring capabilities form the basis of our future internal performance monitoring through the EMS elements contained within corporate objectives. In 2011-12 as required by government and the Environmental Audit Committee we introduced local business sustainability actions (based around the agreed indicators) as part of our normal planning processes. From 2012-13 the Executive Board is using the existing baseline data, and agreed indicators to monitor our business sustainability performance of the built estate and to establish realistic but challenging renewable energy targets for cost centre managers for 2015-16. Central information will be processed to inform local managers of their KPI details to guide local agreement and decision making, prioritising according to business risk and resource allocation. Early 2016-17 an energy audit will be carried out to clearly determine where energy is being used for heating, lighting and equipment use. This will form the basis of energy reduction measures and inform future energy generation options. The business case for investment in renewables will be formulated based on short, medium and long-term business need using the current energy requirements of the organisation. Forestry Commission England/Central Services will cooperate with Forest Enterprise England to enable them to meet their sustainability performance targets.

### During 2015-16 our main priorities have consisted of:

- processing collected data, providing managers with information to plan business performance improvement and to inform GGC reporting to Defra;
- providing system support to local managers – resumption requirements, audits and data input;
- reviewing and improving the management system so that it adds value to the operational objectives;
- reviewing the effectiveness of our operational guidance booklet that outlines our EMS (OGB43 Ver 0.2);
- progressing the Woodland Carbon Code and advising others on its use;
- reviewing our Adaptation Reporting Power report; and
- continuing to meet our regulatory role on plant health, bio-security and other roles.

## Cooperation

Forestry Commission England/Central Services cooperate with others where buildings are shared to enable them to report on greenhouse gas emissions, waste management and use of resources as required by government reporting requirements and regulatory requirements.

## Climate change adaptation and mitigation

Support government initiatives and objectives in relation to climate change in as far as they apply to Forestry Commission England/Central Services, including the further development and deployment of the Woodland Carbon Code and the review of our Adaptation Reporting Power Report.

## Biodiversity and the natural environment

Work with others to promote the best protection and use of the natural capital that Forestry Commission England/Central Services oversees, including the administration of grants to help meet environmental/biodiversity objectives and protection of the woodland resource through regulating forestry activities and the work of our plant health teams.

## Sustainable procurement including of food

Forestry Commission England/Central Services have continued to improve the environmental standards for goods, services and works procured through a variety of policies and tools. This has included increasing understanding of legal and sustainable timber options and sharing case studies of best practice in this area. We continue to specify

Government Buying Standards (where applicable) and other environmental measures such as low impact vehicles or tyre pressure control systems for haulage of timber. A review of our procurement of waste management services has been completed and we will be implementing the recommendations as our existing contracts come up for renewal.

In England, food outlets providing a catering service to the general public and leased to third party providers are encouraged to follow sustainable food sourcing principles. Key performance indicators are used to monitor this.

### **Sustainable construction**

Forestry Commission England/Central Services cooperate with landlords in their endeavours to improve the built estate in terms of energy efficiency and sustainable construction.

### **Environmental Management System (EMS)**

As part of business management, the Forestry Commission operates an integrated EMS which is independently certified to BS EN ISO 14001-2004, the internationally recognised standard for EMS. Our management system has already provided cost savings as well as environmental benefits in terms of improved management procedures, changed behaviours and improved awareness of environmental impacts and legal compliance with regards waste, procurement and emissions. The implementation of the EMS has established baseline data against fossil fuel-derived energy, travel CO<sub>2</sub>, water use and waste reduction and includes sustainable procurement requirements as part of the improvement targets following the government buying standards. It should be recognised that the achievement of certification represents a significant effort on the part of staff and the investment in time and effort represents a significant cultural shift and change to the way we work, maintaining strong public support by demonstrating our care of the environment across all our activities. The focus for this year is to make sustainable business “business as usual” driving further performance improvement in the face of rapidly rising energy and fuel costs over the coming years. The most recent round of internal environmental audits confirms that conformance and policy delivery are increasingly embedded in the normal business planning process and not seen as a separate consideration in decision taking. Legal compliance around EMS issues has improved and risk has reduced significantly.

### **Governance**

Business Sustainability is overseen by a programme board consisting of board-level accounting officers from each part of the Forestry Commission. The board is responsible for formulating and championing the Forestry Commission’s Environmental Policy and delivery through our integrated management system, ISO14001 EMS. Agreed terms of reference for the programme board are as follows:

- be responsible to the Forestry Commission Executive Board for the efficient operation of the Business Sustainability Programme, reporting back at least once per annum;
- set priorities and objectives for the Business Sustainability Programme and ensure that these are achieved;
- ensure that Government targets for sustainability within the remit of the programme are communicated to stakeholders and that mechanisms are put in place to record and monitor progress against agreed targets;
- ensure that objectives set for the Forestry Commission as a whole also meet the requirements of Forest Enterprise England and Forestry Commission England/Central Services and that jointly agreed targets are adopted as policy by managers within these units;
- senior management, including the programme board, will review the EMS at planned intervals to ensure its continuing suitability, adequacy, and effectiveness; and
- ensure that Forestry Commission England/Central Services achieves its commitment to maintaining ISO 14001 certification and implementing the EMS to continue to deliver quality public benefit in all its activity.



The programme board establishes agreed corporate level performance targets in accordance with government's and its own business requirements for the organisation and receives an annual report of performance from the programme manager.

Following the development and implementation of the Environmental Management System and successful certification of the EMS to ISO 14001:2004 across the Forestry Commission, organisation-wide management and reporting of performance is required, including the status of any non-conformance, to ensure identification of root cause and effective remedial action. It also provides a vehicle for regular monitoring of changes to environmental legislation through the OGB system, ensuring that the Forestry Commission can discharge its duties fully within the requirements of the law. This is particularly important in the context of sustainable procurement, waste management and emissions control.

I. Gambles  
Additional Accounting Officer  
Forestry Commission  
620 Bristol Business Park  
Coldharbour Lane  
Bristol BS16 1EJ

30 June 2016

# **Forestry Commission**

## **England/Central Services Annual**

### **Accounts 2015-16**

## Accountability Report

### Corporate Governance Report

#### Directors' Report

##### Relationship with Defra and the wider Defra group

The Defra Ministers who had responsibility for Forestry Commission England/Central Services during the year were:

Elizabeth Truss MP, Secretary of State  
George Eustice MP, Minister of State from 11 May 2015  
Dan Rogerson MP, Parliamentary Under Secretary of State until 8 May 2015  
Rory Stewart MP, Parliamentary Under Secretary of State from 10 May 2015

Various meetings were held with the Secretary of State and other Ministers by the Forestry Commission Chair, and other Forestry Commission senior staff throughout 2015-16.

##### Chair and Chief Executive

The Chair of the Forestry Commission is Sir Harry Studholme. Ian Gambles is Director England, the senior executive within Forestry Commission England.

##### Composition of the Management Board

The composition of the various governance fora, their structure and activities are set out in full within the Governance Statement.

The membership of the National Committee for England during 2015-16 was:

Sir Harry Studholme, Chair Forestry Commission  
Keith Oates, Non-Executive Commissioner  
Mary Barkham, Non-Executive Commissioner  
Clive Tucker, Non-Executive Board Member  
Mark Pountain, Non-Executive Board Member  
Shirley Trundle, Defra Director Environment and Rural  
Ian Gambles, Director England  
Simon Hodgson, Chief Executive Forest Enterprise England  
Richard Greenhous, Director Forest Services  
Steve Meeks, Finance Director Forestry Commission England

##### Significant interests held by Board members

A register of interests of all Board Members is maintained by the Forestry Commission and published on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk).

##### Personal data related incidents

There were no protected data related incidents reported for Forestry Commission England/Central Services in 2015-16.

## Supplier Payment Policy

Forestry Commission England/Central Services complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 10 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2015-16 indicates that 99.2% (2014-15: 99.0%) of invoices paid by Forestry Commission Central Services, 99.4% (2014-15: 99.7%) of invoices paid by Forestry Commission England and 99.5% (2014-15: 99.3%) of invoices paid by Forest Research Agency were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

## Auditors

The accounts of Forestry Commission England/Central Services are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The notional audit fee was £46,000 (2014-15: £48,000). In addition, the notional fee for the audit of the Forest Research Agency was £35,000 (2014-15: £35,000). No fees were charged for other services (2014-15: nil).

## Disclosure of audit information to the auditors

So far as the Accounting Officer is aware, there is no relevant audit information of which the Forestry Commission England/Central Services auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Forestry Commission England/Central Services auditors are aware of that information.

## Statement of Accounting Officer's Responsibilities

Under Section 5, subsection 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed Forestry Commission England/Central Services to prepare accounts for each financial year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs and of the income and expenditure, changes in taxpayers' equity, and cash flows of the department for the financial year.

From February 2012 Forestry Commission England/Central Services (including Forest Enterprise England and Forest Research) expenditure was no longer disclosed as a separate entity within the resource estimate structure. All expenditure falls within Defra's overall control totals.

In March 2013, and following the decision to make the post of Director General redundant, Defra appointed the Director Forestry Commission England as the Additional Accounting Officer for the Forestry Commission. A Memorandum of Agreement exists between the Accounting Officers for the Forestry Commission and Defra.

The Chief Executive, Forest Enterprise England has been designated by Director Forestry Commission England as an Agency Accounting Officer for that part of the department's accounts relating to the Agency within England-wide activities and the associated assets, liabilities and cash flows. The Director Forestry Commission England has continued the designation of the Chief Executive, Forest Research Agency as an Agency Accounting Officer for that part of the department's accounts relating to the Agency resources within Great Britain-wide activities and the associated assets, liabilities and cash flows. None of these appointments detract from the Director Forestry Commission England's overall responsibility as Accounting Officer for the department's accounts. Under the terms of the Accounting Officers' Memorandum, the relationship between the Accounting Officers, together with their respective responsibilities, is set out in writing.

In preparing the accounts, the Forestry Commission is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The responsibilities of an Accounting Officer (including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding Forestry Commission England/Central Services assets) are set out in *Managing Public Money* published by HM Treasury.

## **Governance Statement**

### **Introduction and Scope of Responsibility**

As Additional Accounting Officer for Forestry Commission England and Central Services, I have responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively in accordance with *Managing Public Money*.

This Statement covers Forestry Commission England and Central Services, and fully complies with the Corporate Governance Code. In addition, we publish separate Governance Statements for our agencies Forest Enterprise England and Forest Research.

### **The Purpose of the Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the Forestry Commission is directed, controlled and led. It enables the Forestry Commission to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective outcomes which are also compliant with the law and with policy.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk and 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 the Forestry Commission's policies, aims 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 governance framework has been in place at the Forestry Commission throughout 2015-16 up to the date of the production of the annual report and accounts, and accords with HM Treasury guidance.

### **The Governance Framework**

The Forestry Act 1967 (as amended) and the Forestry Act 1979 set out the principal legislative framework within which the Forestry Commission operates. The Forestry Commissioners are established by statute and derive their powers primarily from the Forestry Acts but also from other legislation such as the Environmental Impact Assessment (Forestry) (England and Wales) Regulations 1999. Under the Plant Health Act 1967, the Commissioners are the competent authority for the protection of forest trees and timber from attack by pests and diseases.

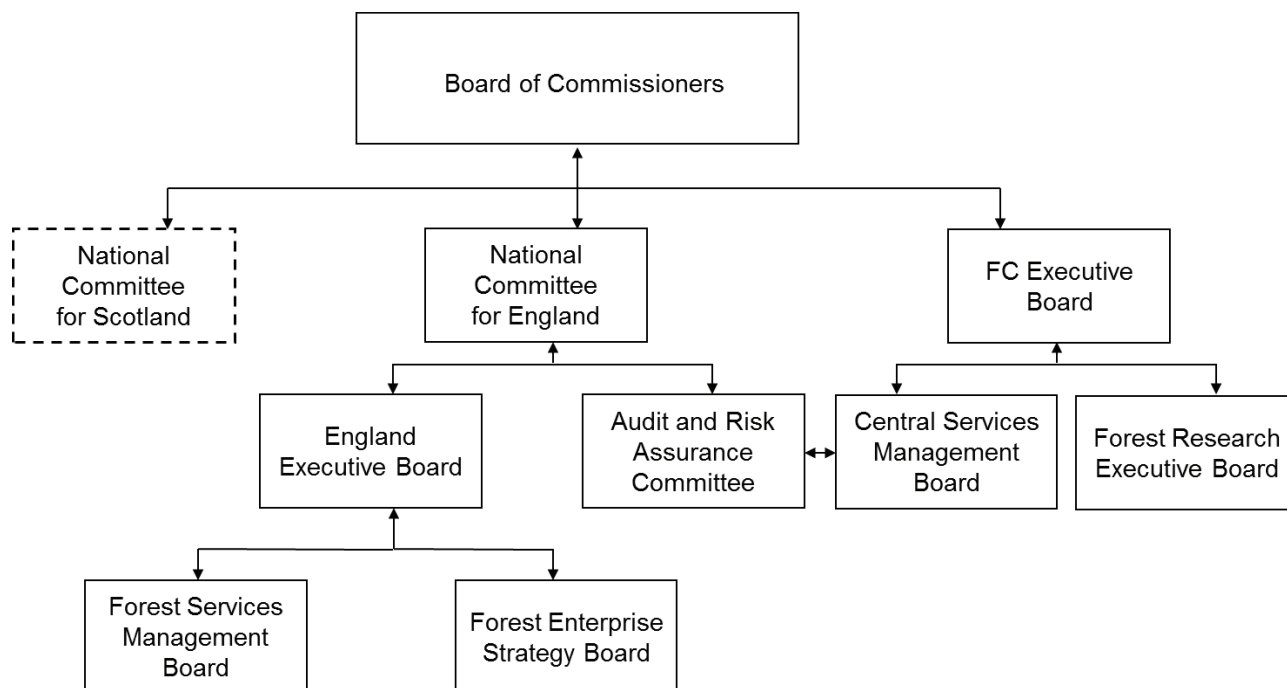
The Forestry Commission is a non-Ministerial Government Department and has a Royal Charter, dated 25 March 1920. It is headed by a Board of Commissioners. Forestry is devolved and Commissioners are accountable

separately to the Secretary of State for Environment, Food and Rural Affairs and Scottish Ministers. Defra is responsible for forestry policy in England.

Under section 2(3) of the Forestry Act 1967, the Commissioners have delegated their responsibilities in each country to the National Committees. National Committees are comprised of non-executive and executive members and they oversee the work of each country, making decisions about country forestry strategies and policies.

#### How we operate

The governance structure is outlined below and shows the most numerous interactions between the groups. An overlap in the membership of many of the Boards enhances cohesion.



#### Forestry Commissioners

The Board of Commissioners consists of a Chair and up to 10 other members appointed by the Queen to be Forestry Commissioners. Sir Harry Studholme has served as Chair of the Commission since 10th February 2014.

The Board of Commissioners is responsible for:

- ensuring that Commissioners' statutory duties are fulfilled;
- oversight of any changes to the role or governance structure of the Forestry Commission;
- delegating to the England National Committee such functions as are required to support the Government Forestry and Woodlands Policy in England;
- delegating to the Scotland National Committee such functions as are required to support the National Committee's role in ensuring that the Ministers policies are delivered efficiently and effectively;
- oversight of the Central Services (Central Services comprise Human Resources; Finance and Accounting Services; Internal Audit; Information Systems; Inventory, Forecasting and Operational Support; Corporate and Forestry Support; Forest Research);
- recommending the Corporate Plan for cross border activities and the Forest Research Corporate Plan to Secretary of State Defra; and
- maintaining an overview of corporate risk.

The Board of Commissioners met in March, June, September and December.

Papers for these meetings and further information on the Board of Commissioners are available on our website [www.forestry.gov.uk](http://www.forestry.gov.uk).

*The notes on pages 54 to 76 form part of these accounts*

The Forestry Commission Executive Board (FCEB)

The FCEB is responsible for:

- Taking decisions, on the advice of the Director Central Services, on shared matters which affect the Forestry Commission as a whole and have not been fully devolved to England and Scotland. For the time being, this includes:
  - pay;
  - terms and conditions of employment;
  - Human Resources Policy;
  - strategy and policy in health and safety, and equality and diversity; and
  - any other matters within the remit of the Central Services Management Board which Director Central Services determines should be referred to Executive Board for decision.
- Co-ordinating the process of organisational change. For the time being, this includes:
  - discussing and identifying interdependencies and cross-cutting issues associated with change programmes in the constituent parts of the Forestry Commission;
  - working collaboratively to ensure that individual programmes enable the realisation of programme objectives across the constituent parts of the Forestry Commission in order to avoid unnecessary costs or adverse impacts on staff, and to maintain business continuity during change; and
  - acting as programme board in support of the SRO for the Legal and Corporate Project, advising the Forestry Commissioners and overseeing the implementation of their decisions.

Papers for these meetings and further information about the Forestry Commission Executive Board, including membership and attendance, are available on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk).

National Committee for England

The Committee is appointed under Section 2(3) of the Forestry Act 1967 to, inter alia, undertake any of the functions of the Forestry Commissioners that they may delegate, subject to any restrictions or conditions as they see fit.

The National Committee for England is responsible for:

- working with the Westminster parliament and Whitehall departments to develop and promote forestry policy which meets England's needs;
- giving strategic direction to the Forestry Commission's activities in England to ensure delivery of the Government's Forestry and Woodlands Policy Statement;
- identifying and allocating the resources required to meet objectives and monitoring performance in that country against agreed objectives;
- setting targets for, and managing the performance of Forest Enterprise England, a Public Corporation, in managing the public forest estate; and,
- ensuring the safeguarding of resources in that country through internal control systems.

Papers for these meetings and further information on the National Committee, including membership and attendance, are available on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk).

England Executive Board

The England Executive Board was established to manage the operations of the business of Forestry Commission England within the policy framework set by Ministers and the National Committee for England.

Further information on the England Executive Board, including membership and attendance, is available on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk).

The England Executive Board is supported by two sub-committees, the Forest Enterprise England Strategy Board and Forest Services Management Board. The sub-committees were established to manage the operations of the two main delivery arms of Forestry Commission England under the overall direction of the England Executive Board.

*The notes on pages 54 to 76 form part of these accounts*

### Central Services Management Board (CSMB)

The CSMB is a decision-making and discussion forum which provides leadership and direction for the collective delivery of Central Services, which comprise Corporate and Forestry Support, Forest Research Agency and Shared Services. It monitors the delivery of services against the policies, strategies and performance measures agreed with the FCEB and the Forestry Commissioners. It further provides advice and support to the Director Central Services in discharge of their duties as an Executive Board member and a member of the Board of Commissioners.

Further information on the Central Services Management Board, including membership and attendance, is available on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk).

### Audit and Risk Assurance Committee (ARAC)

The ARAC has been established by the National Committee for England to support it in its responsibilities for the effective management of risk, control and governance.

Each of the component parts of Forestry Commission England and Central Services maintain their own risk register; risk registers are overseen by the relevant ARAC.

Through its work the EnglandPlus ARAC provides independent assurance to the Board of Commissioners and the National Committee on those key activities which support the achievement of England and Cross Border objectives, with the exception of the Forest Research Agency which has a separate ARAC. Assurance is also provided through the review of the annual accounts and the findings from work carried out by Internal and External Audit. The ARAC operates in accordance with the principles contained in the Treasury's Audit and Risk Assurance Committee Handbook.

The Committee met in May, June, November and February and discussed a wide range of issues including:

- risk management;
- the Annual Report and Accounts 2014-15;
- external and internal audit strategy and reports;
- information security;
- tree health and biosecurity;
- procurement regulations;
- the Governance Statement;
- the CAP-Delivery programme; and,
- a review of the committee's structure and effectiveness.

Further information on the EnglandPlus Audit and Risk Assurance Committee, including membership and attendance, is available on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk).

### Performance

All of the committees have linkages through shared membership. Commissioners are members of the National Committee, who in turn are members of the Audit and Risk Assurance Committee. This ensures a breadth of knowledge and understanding of the organisation and forestry issues, which enhances the contribution made by non-executives and thus the effectiveness of all the committees. Each board and committee receives relevant reports from the other committees and the non-executives play an active part in agreeing and selecting items for inclusion in agendas.

Forestry Commission Internal Audit have previously reviewed the National Committee and accompanying Management Board structure in England and have given a full assurance on the set-up and functioning of these key elements of the corporate governance framework. They have continued to monitor the work of the National Committee during the year through review of meeting agendas, papers and minutes and are content with the approach taken.



The EnglandPlus Audit and Risk Assurance Committee has been assessed as being in line with requirements for public sector bodies as per Treasury guidance.

Internal Audit carried out a review of the effectiveness of the Board of Commissioners and the National Committee in 2015. The review included seeking feedback from members on the structure and functioning of the Board and Committee and the responses received were positive. Five recommendations relating to procedural improvements were accepted and implemented. The Forestry Commission's Executive and Management Boards are scheduled for review in 2016.

### **Review of Effectiveness**

As Accounting Officer I have responsibility for conducting, at least annually, a review of the effectiveness of the governance framework. My review is informed by the work of Internal Audit, the Agency Accounting Officers and the executive managers across the Forestry Commission who have responsibility for the development and maintenance of the governance and control framework, and comments made by the external auditors in their management letter and other reports.

I receive Annual Assurance Statements from the executive managers across the Forestry Commission and have been advised on the implications of the result of my review of effectiveness by the various Boards and the ARAC.

The Head of Internal Audit has prepared a suite of annual reports and assurance statements to me and the Agency Chief Executives in their capacities as Accounting Officers. The reports include an overall assessment of the adequacy and effectiveness of risk management, control and governance within each entity.

The overall opinion is that internal control within Forestry Commission England and Central Services continues to provide moderate (formerly substantial) assurance. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Plans to address weaknesses and ensure continuous improvement of the system are in place.

The Forestry Commission has continued to apply the principles of the Treasury's Code of Good Practice for Corporate Governance in the context of its own circumstances as a Non Ministerial Department, which encourage the adoption of practices set out, where relevant and practical.

The Audit and Risk Assurance Committee review its effectiveness in line with best practice as set out in HM Treasury's Audit Committee Handbook.

Work to date has not identified any control weaknesses and has supported findings from management accounting inspections and the work of internal and external auditors.

### **Whistleblowing**

The Forestry Commission is committed to ensuring a high standard of conduct in all that it does and has a duty to identify and remedy any area of malpractice. This is achieved through encouraging a culture of openness, where employees feel confident to raise concerns about potential wrongdoing. This positive approach to whistleblowing is aligned to our organisation's values. For example, communication (we are open, honest and objective with each other and our stakeholders).

Director Central Services has overall responsibility for whistleblowing policy and practice and works with the Country Director to ensure its effectiveness. Mechanisms have been established through our policy whereby all cases are managed centrally by the Head of Internal Audit. All cases are investigated thoroughly ensuring that any lessons learnt and recommendations are embedded into how we operate as an organisation. The policy is reviewed regularly and was last updated in May 2015 to take account of the changes made by Civil Service Employee Policy (CSEP) to reflect the Public Accounts Committee (PAC) recommendations.

## **Risk Management**

The Risk Management Policy of Forestry Commission England and Central Services demonstrates the full commitment of Forestry Commission England/Central Services to effective risk management, adopting best practice in the identification, evaluation and control of risks.

By adopting its Risk Management Policy, Forestry Commission England/Central Services recognises Risk Management as a key function in helping to ensure it achieves its aims and objectives.

## **Ministerial Direction**

No ministerial directions were given during the year.

## **Significant Governance and Risk Issues**

Please see the key issues and risks to delivery set out in the Overview section of the Performance Report.

Other key governance and risk issues are:

### Financial Review

The Spending Review has resulted in a relatively stable, flat, indicative budget through to 2019-20 reflecting the government's wish to protect forestry. However, the baseline will require Forestry Commission England/Central Services to absorb inflationary and other pressures, and there is a risk of further savings measures during the Parliament notably in 2019-20. The baselines are therefore challenging, particularly during period of organisational change, and we will still have to make difficult decisions in order to live within our means.

### Tax

Current continuing HMRC tax audits have highlighted areas of non-compliance which, as well as leading to the retrospective payment of tax liabilities and potential penalties will require substantive, and potentially substantial, improvements to our policies, procedures and systems. A formal cross-Forestry Commission working group has been set up to work at pace to ensure full compliance, as soon as practicable, for the future. Notes 12 and 16 to the accounts provide additional information.

### Information Communication Technology (ICT) infrastructure

The ICT Infrastructure modernisation programme continues with further migration of key business applications to the new platform. This programme continues to make positive inroads into the business risk posed by ICT infrastructure failure. Disaster recovery facilities are now operational and, subject to testing, have capacity to restore major corporate systems within 5 working days. Whilst some risk to the business still remains as work continues, the overall risk position has substantially improved.

### Information Risk Management

We continue to make steady progress to identify and address information risks. Our approach continues to take account of the fact that we do not handle as much sensitive information as most other departments and our information holdings are relatively small.

The Forestry Commission Information Security Management Forum has agreed that Privacy Impact Assessments will be required for all projects that involve the handling of personal information. Three levels of 'Responsible for Information' training are now online and has been undertaken by all staff where required at the appropriate level for their role.

Significant progress has been made in the designation of local Information Asset Owners, identifying and recording local information assets, including personal information and improving the procedures for reporting losses. This work is not yet complete but the ongoing work is helping develop a better understanding of the value of the information we hold and an improved information security culture across the organisation.

*The notes on pages 54 to 76 form part of these accounts*

### Modelling and Quality Assurance

A sensible and proportionate approach to quality assurance has been adopted across Forestry Commission England/Central Services in terms of business critical models and the associated risks are being managed properly. The National Forest Inventory (NFI) has removed a large source of modelling error in assessment of current national growing stock and we have an ongoing programme of QA work commissioned from Forest Research.

### **Wider circumstances and future challenges**

The main challenges for Forestry Commission England/Central Services during 2016-17 and beyond are:

- managing the one-off and continuing financial burdens arising from HMRC tax audits and ensuring future compliance;
- handling the continued biosecurity threat and the potential substantial cost of counter-measures;
- delivering government policy within a constrained financial environment, including continued progress in woodland improvement and creation;
- handling the impact and consequences to Forestry Commission England of the introduction of new RDPE grant schemes and CAP delivery systems;
- managing Forestry Commission structural reform as part of building the new Defra, subject to decisions by Ministers and possible legislation;
- developing plans for devolving central services and establishing new corporate service provision, whilst maintaining business continuity; and
- engaging with the further devolution of cross-border activities, including potential trisection of funds in future years and the handling of associated residual costs.

Throughout 2016-17 Forestry Commission England/Central Services will remain focussed on managing these challenges either directly, or in partnership with other bodies across the Defra group and wider government, whilst continuing to maintain business continuity across the broad range of its operations and meeting stakeholder expectations in line with the Corporate Plan.

## Remuneration and Staff Report

### Employment contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the senior staff covered by this report hold appointments which are open-ended with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at <http://civilservicecommission.independent.gov.uk/>

Non-executives are generally appointed as Office Holders for a fixed term of three years with a maximum notice period of one month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation.

Details of letters of appointment for the non-executives and senior staff who do not have open-ended appointments who served during the year are:

	<b>Date of current contract / letter</b>	<b>Unexpired term (months*)</b>
Ian Gambles	09/12/2015	35
Sir Harry Studholme	10/02/2014	10
Amanda Bryan	31/07/2012	28
Keith Oates	01/04/2013	0
Mary Barkham	01/11/2014	19
George McRobbie	01/04/2015	24
Clive Tucker	08/07/2013	3
Mark Pountain	03/02/2015	22
Shirley Trundle	N/A	N/A**

\* months remaining from 31 March 2016.

\*\* Shirley Trundle, Director Defra member of the National Committee for England during 2015-16, is employed by Defra.

### Remuneration Policy

Fees for non-executive Commissioners and National Committee members who are not Forestry Commission or Defra employees are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprises the Chairman, Director England, Director Central Services and the Chair of the National Committee for Scotland.

In reaching its decisions on an individual's salary and bonus, the Senior Pay Committee has regard to the following considerations:

- Guidelines circulated by the Cabinet Office implementing Government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior

Civil Service pay system and for making recommendations to the Government on the shape of the system, including the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further information on the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com); and

- Reporting officers' recommendations on the relative performance of each of their senior staff, whether a bonus should be paid, and if so, whether low or high. The Senior Pay Committee consider the recommendations, determines the allocation of senior staff to tranches, and decides the percentage increase to salary and any bonus to be awarded in line with Cabinet Office guidance.

Remaining Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining with the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Management System (PMS) of the Forestry Commission.

### **Remuneration (salary, benefits in kind and pensions) – subject to audit**

The following sections provide details of the remuneration and pension interests of the civil servants who are members of the Forestry Commission Executive Board, the National Committee for England and the England Executive Board.

Single total figure of remuneration	Salary		Bonus payments		Benefits in kind (to nearest £100)		Pension Benefits to nearest £1000		Total to nearest £1000	
	£000	£000	£000	£000	£	£	£000	£000	£000	£000
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15*	2015-16	2014-15
<b>Ian Gambles</b> Director England	110-115	105-110	5-10	-	-	-	31	27	145-150	135-140
<b>Jean Lindsay</b> Director Central Services	95-100	95-100	5-10	5-10	-	-	30	19	130-135	120-125
<b>Simon Hodgson</b> Chief Executive Forest Enterprise England	80-85	80-85	-	5-10	1,700	-	(1)	23	80-85	115-120
<b>James Pendlebury</b> Chief Executive Forest Research	70-75	70-75	-	-	4,100	3,300	18	16	95-100	90-95
<b>Steve Meeks</b> Finance Director	70-75	70-75	-	-	-	-	36	40	110-115	110-115
<b>Wilma Harper</b> Director Corporate and Forestry Support	70-75	70-75	-	-	-	-	28	29	100-105	100-105
<b>Richard Greenhous</b> Director Forest Services	65-70	65-70	-	5-10	-	-	31	13	95-100	90-95
<b>Richard Britton</b> Head of Forest Services Delivery	65-70	-	-	-	-	-	28	-	90-95	-
<b>Sarah England</b> HR Business Partner	60-65	55-60	-	-	3,100	2,200	60	9	125-130	70-75
<b>PK Khaira-Creswell</b> Head of Executive Office	35-40 <sup>4</sup>	45-50 <sup>1</sup>	-	-	-	-	17	10	55-60	55-60
<b>Mark Funnell</b> Head of Communications	30-35 <sup>5</sup>	60-65	-	-	-	-	12	24	40-45	85-90
<b>Colin Morton</b> Head of Communications (Acting)	15-20 <sup>6</sup>	-	-	-	-	-	9	-	25-30	-
<b>Richard Barker</b> Head of Executive Office (Acting)	10-15 <sup>7</sup>	25-30 <sup>2</sup>	-	-	-	-	22	24	30-35	50-55
<b>Louisa Aveyard</b> Head of Communications (Acting)	10-15 <sup>8</sup>	-	-	-	-	-	4	-	15-20	-
<b>Dominic Driver</b> Head of National Expertise & Strategic Development	-	60-65	-	-	-	-	-	22	-	80-85
<b>Paul Snaith</b> Finance Director Central Services	-	25-30 <sup>3</sup>	-	-	-	-	-	28	-	55-60

- Figure quoted is for the full year. A period of maternity leave commenced 1 October 2014 and continued through until the end of the financial year. This post was temporarily covered by Richard Barker.
- Figure quoted is for the period 1 October to 31 March, whilst covering a period of maternity leave for PK Khaira-Creswell. The full year equivalent is 50-55.
- Figure quoted is for the period 1 April 2014 to 15 August 2014. The full year equivalent is 70-75.
- Figure quoted is for the full year. A period of maternity leave ended 6 July 2015.
- Figure quoted is for the periods 1 April 2015 to 25 September 2015, and 14 March 2016 to 25 March 2016. The full year equivalent is 60-65.
- Figure quoted is for the periods 7 December 2015 to 11 March 2016 and 28 March 2016 to 31 March 2016 covering the secondment of Mark Funnell to Defra. The full year equivalent is 60-65.
- Figure quoted is for the period 1 April 2015 to 4 July 2015, whilst covering a period of maternity leave for PK Khaira-Creswell. The full year equivalent is 50-55.
- Figure quoted is for the period 28 September 2015 to 4 December 2015 covering the secondment of Mark Funnell to Defra. The full year equivalent is 55-60.

\* Prior year pension benefits figures may have changed due to recalculations by the pension provider. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

The salary and pension entitlements of Jo O'Hara, an Executive Forestry Commissioner, are borne and disclosed in the Forestry Commission Scotland Annual Report and Accounts 2015-16 as she is Head of Forestry Commission Scotland.

The salary and pension entitlements of Mike Seddon, a member of the England Executive Board, are borne and disclosed in the Forest Enterprise England Annual Report and Accounts.

The salary and pension entitlements of the members of the Forest Research Management Board and Forest Enterprise England Management Board are borne and disclosed in each of the agencies Annual Report and Accounts 2015-16.

## **Salary**

'Salary' includes gross salary; overtime; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on payments made by Forestry Commission England/Central Services and thus recorded in these accounts.

## **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Benefits in kind are given in the form of the private use of a car and house purchase loans.

## **Bonuses**

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to which they become payable to the individual. The bonuses reported in 2015-16 relate to performance in 2014-15 and the comparative bonuses reported for 2014-15 relate to performance in 2013-14.

## **Fair Pay Disclosure – 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 banded remuneration of the highest-paid director of Forestry Commission England/Central Services in the financial year 2015-16 was £115-120,000 (2014-15: £105-110,000). This was 3.74 times (2014-15: 3.59) the median remuneration of the workforce, which was £31,437 (2014-15: £30,463).

In 2015-16, no (2014-15: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £17,000 to £119,000 (2014-15: £16,000 to £109,000).

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

**Disclosure of salary, pension and compensation information for 2015-16 – subject to audit**

	Accrued pension at pension age as at 31 March 2016 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2016*	CETV at 31 March 2015	Real increase (decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	to nearest £100
Ian Gambles	10-15 plus 0-5 LS	0-2.5 plus 0-2.5 LS	202	156	25	-
Jean Lindsay	35-40 plus 115-120 LS	0-2.5 plus 2.5-5 LS	803	718	26	-
Simon Hodgson	20-25 plus 70-75 LS	0-2.5 plus 0-2.5 LS	635	602	(1)	-
James Pendlebury	10-15 plus 40-45 LS	0-2.5 plus 2.5-5 LS	294	253	16	-
Steve Meeks	30-35 plus 100-105 LS	0-2.5 plus 5-7.5 LS	681	599	31	-
Wilma Harper	40-45 plus 0-5 LS	0-2.5 plus 0-2.5 LS	879	827	28	-
Richard Greenhous	10-15 plus 40-45 LS	0-2.5 plus 0-2.5 LS	192	159	10	-
Richard Britton	30-35 plus 45-50 LS	0-2.5 plus 0-2.5 LS	624	562	24	-
Sarah England	20-25 plus 65-70 LS	2.5-5 plus 2.5-5 LS	403	333	37	-
PK Khaira-Creswell	5-10 plus 20-25 LS	0-2.5 plus 0-2.5 LS	110	92	6	-
Mark Funnell	5-10 plus 0-5 LS	0-2.5 plus (0-2.5) LS	63	54	3	-
Colin Morton	5-10 plus 25-30 LS	0-2.5 plus 0-2.5 LS	209	193	9	-
Richard Barker	15-20 plus 50-55 LS	0-2.5 plus 2.5-5 LS	369	323	20	-
Louisa Aveyard	10-15 plus 0-5 LS	0-2.5 plus 0-2.5 LS	106	99	4	-

\*The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016.

**Civil Service Pensions**

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) 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 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80<sup>th</sup> 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 1/60<sup>th</sup> 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 his pensionable earnings during the 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 uprated in line with Pensions Increase Legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. 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% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** or **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for board members show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The 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.

## Real increase in CETV

This 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 non-executives – subject to audit**

The non-executive Forestry Commissioners and members of the National Committee for England received the following remuneration for their services during the year ended 31 March 2016.

	2015-16		2014-15	
	Fees £000	Expenses £000	Fees £000	Expenses £000
Sir Harry Studholme	24	6	24	3
Amanda Bryan	15	3	10	1
Keith Oates	11	1	11	1
Mary Barkham	11	2	5	-
George McRobbie	11	-	-	-
Clive Tucker	5	1	5	-
Mark Pountain	5	1	1	-
Hamish Macleod	-	-	16	1
William Weston	-	-	4	1
Shirley Trundle	N/A*	N/A*	N/A*	N/A*

\*Shirley Trundle, Director Defra, a member of the National Committee for England during 2015-16, is employed by Defra and does not receive any additional remuneration from Forestry Commission England.

**Staff Report****Number of Senior Civil Servants by band**

Band	Number of Senior Civil Servants
2	1
1A	3
1	3

**Average number of persons employed**

			2015-16	2014-15
	Permanently employed staff	Others	Total	Total
	Number	Number	Number	Number
Forestry Commission England/Central Services	388	64	452	457
Forest Research	153	24	177	185
<b>Total</b>	<b>541</b>	<b>88</b>	<b>629</b>	<b>642</b>

**Staff costs – subject to audit**

			2015-16	2014-15
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
<b>England/Central Services Core</b>				
Wages and salaries	14,506	-	14,506	14,937
Social security costs	1,136	-	1,136	1,188
Other pension costs	2,955	-	2,955	2,739
Agency staff	-	1,349	1,349	1,003
Inward secondments	138	-	138	74
<b>Total costs</b>	<b>18,735</b>	<b>1,349</b>	<b>20,084</b>	<b>19,941</b>
Less recoveries in respect of outward secondments	(54)	-	(54)	(192)
<b>Total net costs</b>	<b>18,681</b>	<b>1,349</b>	<b>20,030</b>	<b>19,749</b>
<b>Forest Research</b>				
Wages and salaries	5,441	587	6,028	6,131
Social security costs	441	38	479	485
Other pension costs	1,117	111	1,228	1,131
<b>Total net costs</b>	<b>6,999</b>	<b>736</b>	<b>7,735</b>	<b>7,747</b>
<b>Forestry Commission England/Central Services Consolidated Department</b>				
Total costs per SoCNE	25,734	2,085	27,819	27,688
Less recoveries in respect of outward secondments	(54)	-	(54)	(192)
<b>Total net costs</b>	<b>25,680</b>	<b>2,085</b>	<b>27,765</b>	<b>27,496</b>

Staff costs comprise Forestry Commission England and staff employed within Central Services and Forest Research, to provide support to Forestry Commission activities in England and Scotland and to their agencies.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” are unfunded multi-employer defined benefit schemes but the Forestry Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2015-16, employers’ contributions of £4,229,000 were payable to the PCSPS (2014-15: £3,651,000) at one of four rates in the range 20.0% to 24.5% (2014-15: 16.7% to 24.3%) of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £35,000 (2014-15: £36,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings to 30 September 2015 and from 8% to 14.75% of pensionable earning from 1 October 2015 (2014-15: 3% to 12.5%). Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £1,400, 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015 (2014-15: £3,000, 0.8%), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

No persons (2014-15: nil) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2014-15: £nil).

**Staff composition**

				2015-16	2014-15
	Directors and senior civil servants	Permanently employed staff	Others	Total	Total
	Number	Number	Number	Number	Number
<b>Core</b>					
Male	4	221	24	249	257
Female	2	161	40	203	200
<b>Total</b>	<b>6</b>	<b>382</b>	<b>64</b>	<b>452</b>	<b>457</b>
<b>Forest Research</b>					
Male	2	95	10	107	115
Female	-	56	14	70	70
<b>Total</b>	<b>2</b>	<b>151</b>	<b>24</b>	<b>177</b>	<b>185</b>
<b>Consolidated</b>	<b>8</b>	<b>533</b>	<b>88</b>	<b>629</b>	<b>642</b>

**Sickness absence data**

Year	Working days lost per staff year	
	Forestry Commission	Forestry Commission England/ Central Services
2015-16	10.5	10.9
2014-15	6.9	6.0
2013-14	5.6	5.6

Our vision is that everyone working with the Forestry Commission remains safe and well and our woodlands are safe and enjoyable places to visit. We remain committed to the Forest Industry Safety Accord and have representatives on the Steering Group and the eight Working Groups including Managing Safety, Electricity, Haulage and Forest Training.

We have:

- run the Safety Climate Tool, an online survey that measures health and safety culture. 71% of staff responded to the survey; and
- developed national and local action plans using the results of the Safety Climate Tool to address areas where improvements can be made.

**Accidents**

The following figures set out the incidence of reportable accidents (those causing incapacity for more than 7 days) in 2015-16 and the preceding years.

Year	RIDDOR Accidents per 100 Employees	
	Forestry Commission	Forestry Commission England/ Central Services
2015-16	0.39	-
2014-15 (restated)	0.63	-
2013-14	0.44	0.46

*The notes on pages 54 to 76 form part of these accounts*

Lyme disease

The numbers of Lyme disease cases has remained steady over the past 5 years. However, we continue to look for ways to improve our control measures to reduce the risk to our staff.

**Compensation for loss of office – subject to audit**

7 left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2015 (2014-15: 2). They received compensation payments of £137,779 (2014-15: £100,140).

Nil left under Compulsory Early Retirement or Compulsory Redundancy terms in the year to 31 March 2015 (2014-15: nil). The capitalised cost of the package they received was £nil (2014-15: nil).

**Reporting of Civil Service and other compensation schemes – exit packages – subject to audit**

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	Nil - (2014-15: nil)	1 - (2014-15: 1)	1 - (2014-15: 1)
£10,000 - £25,000	Nil - (2014-15: nil)	5 - (2014-15: nil)	5 - (2014-15: nil)
£25,000 - £50,000	Nil - (2014-15: nil)	Nil - (2014-15: nil)	Nil - (2014-15: nil)
£50,000 - £100,000	Nil - (2014-15: nil)	1 - (2014-15: 1)	1 - (2014-15: 1)
<b>Total number of exit packages</b>	<b>Nil - (2014-15: nil)</b>	<b>7 - (2014-15: 2)</b>	<b>7 - (2014-15: 2)</b>
<b>Total resource cost / £</b>	<b>Nil</b> (2014-15: £Nil)	<b>£137,779</b> (2014-15: £100,140)	<b>£137,779</b> (2014-15: £100,140)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

**Staff Policies**

The Forestry Commission's People Strategy sets out the strategic direction in relation to our people. Our current strategy is in its final year and we continue to deliver actions that support the strategy to maintain our commitment to high levels of employee engagement, motivation, flexibility and one that openly encourages participation, personal development and which values its staff.

We have:

- launched a new e-recruitment portal, which replaced the previous iGrasp system;
- as part of the focus on creating new corporate services in the England, Scotland and Forest Research, we have begun the transfer of Human Resources Services to the Countries/Forest Research. Business cases for the transfer of Equality and Diversity and Procurement Services are now agreed and being implemented;

- introduced a new Trade Union Facility Time Recording system to make the logging of facility time easier for Union representatives;
- changed Employee Assistance Programme provider following a management buy-out;
- revised the Recruitment and Selection Policy and Procedure, Whistleblowing Policy and Procedure, and Redeployment Policy and Procedure. We also introduced the Shared Parental Leave Policy;
- produced a series of podcasts to share key messages from a Forestry Commission wide survey on post filling and promotion and the actions we have taken as a result. An associated Manager's Guidance Tool was also launched to support the recruitment process;
- undertaken the staff survey. Response rate to the survey was 62% and the employee engagement score was 71%;
- started work on a new People Strategy for the period 2016-2019; and
- updated our Pay Procedure, Overtime Procedure and Annual Leave Policy and Procedure to reflect the case law changes to Holiday Pay and Overtime.

### Learning and Development

We continue to deliver both technical and people based training, alongside greater bespoke development support particularly around change management.

We have:

- undertaken a full review of the Graduate Programme and refreshed the induction training as a result;
- launched Civil Service Learning in April 2015. This includes an e-learning portal; access to civil service wide training courses and specific development for the Civil Service professions;
- relaunched the Learning and Development portfolio of training courses following a review with key stakeholders; and
- launched the Civil Service's Leadership Competency Statement and 360 degree feedback tool for the Forestry Commission's Senior Staff Group.

### Equality and Diversity

Equality and Diversity remains a high priority for the organisation.

We have:

- published our annual monitoring report which included information on the progress made to achieve our published objectives. It did not highlight anything discriminatory in the Forestry Commission's processes and procedures;
- begun a review of the Forestry Commission's diversity objectives; and
- continued to support front-line District teams to carry out the Equality Analysis process through engagement and provision of services to diverse communities. The Forestry Commission is working towards further improving the diversity of its workforce, focusing on encouraging applications from people from ethnic and disabled communities. To support all applicants, reasonable adjustments must be considered and, where possible, put in place throughout the recruitment process, in consultation with the applicant concerned, to ensure no-one is disadvantaged, particularly because of their disability.

We continue to work towards further improving the diversity of our workforce, focusing on encouraging applications from ethnic and disabled communities. To support all applicants, reasonable adjustments are considered and put in place.

Our Equality and Diversity Strategy is to recruit, deploy and engage people in order to make our workforce more representative of the population. A key objective has been to increase the number of job applicants with a disability. The Diversity team has been monitoring and analysing the number of applicants who declare a disability. This year

the Forestry Commission reported 4% of disabled applicants, of which 13% were interviewed and 3% offered the job (compared to 4% of non-disabled applicants).

Within our Equality and Diversity Objectives 2016-20 we intend to improve our understanding of those engaging in volunteer work on the public forest estate and whether this reflects local community diversity.

'People Matters – Disability and Reasonable Adjustments' Guidance book provides information and guidance to managers on disability and how to identify and implement reasonable adjustments. The Forestry Commission will attempt to make the recommended reasonable adjustments. Where reasonable adjustments cannot be implemented managers are able to justify decisions with facts. To date, the Forestry Commission has been unable to make an adjustment in one case only.

We are proud to have delivered high quality, in-house equality and diversity training. We have different levels of training events, tailored to suit the needs of staff and depending upon their level of exposure to customers and/or their involvement in policy making. The training includes all aspects of equality, relating to the organisations business. On-line training modules together with face-to-face training on the Equality Analysis process are delivered. Sessions on this important area start at the induction stage with all new starters receiving input on this area. Further, the organisation benefits from best in class resources provided through Civil Service Learning.

The organisation is wholly committed to creating an organisation that celebrates equality and diversity and works hard to support all.

### **Expenditure on consultancy**

During the year Forestry Commission England/Central Services incurred costs of £47,000 for business case consultancy services (2014-15: £27,000).

Costs incurred on agency and temporary staff during the year total £1,349,000 (2014-15: £1,003,000). Additional short-term administrative resource has been required to cope with changes in grant processes and workload moving from Central Services to Forestry Commission England.

### **Off-payroll engagements**

Defra are required to disclose information in their annual report and accounts relating to the review of tax arrangements of public sector employees. The information relating to off-payroll engagements for the Forestry Commission England/Central Services is reported below for consistency with Defra's annual report and accounts.

**Table 1: For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months.**

	Forestry Commission
<b>31 March 2016</b>	4
Of which...	
No. that have existed for less than one year at time of reporting.	-
No. that have existed for between one and two years at time of reporting.	2
No. that have existed for between two and three years at time of reporting.	-
No. that have existed for between three and four years at time of reporting.	1
No. that have existed for four or more years at time of reporting.	1

**Table 2: For all new off-payroll engagements between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months.**

	Forestry Commission
<b>No. of new engagements between 1 April 2015 and 31 March 2016</b>	2
No. of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations.	2
No. for whom assurance has been requested.	-
Of which...	
No. for whom assurance has been received.	2
No. for whom assurance has not been received.	-
No. that have been terminated as a result of assurance not being received or ended before assurance was received.	-



## Parliamentary Accountability and Audit Report

### Losses and special payments

	2015-16		2014-15	
	Number	£000	Number	£000
Losses total	8	12	10	57
Special Payments total	5	7	6	7
	13	19	16	64

### Fees and charges

Forestry Commission England/Central Services has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

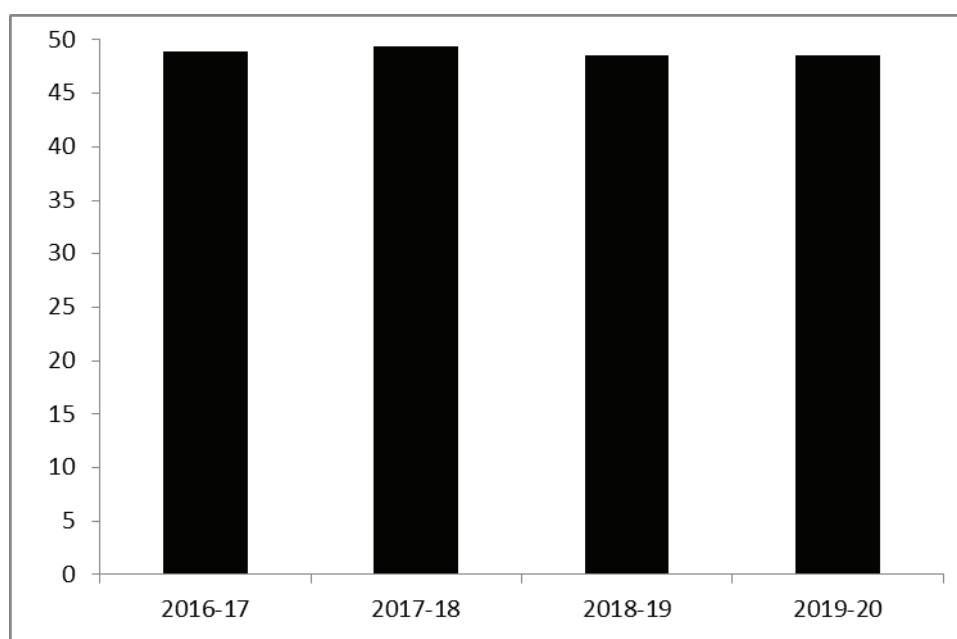
### Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of IAS 37, the Forestry Commission also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. There are currently no remote contingent liabilities.

### Long term expenditure trends

Defra has recently concluded the Spending Review 2015 settlements for all bodies within the Defra group. The Forestry Commission settlement for the financial years 2016-17 to 2019-20 is illustrated below.

**Defra Funding during SR15 (£m)**



*The notes on pages 54 to 76 form part of these accounts*

I. Gambles  
Additional Accounting Officer  
Forestry Commission  
620 Bristol Business Park  
Coldharbour Lane  
Bristol BS16 1EJ

30 June 2016

## **The Certificate and Report of the Comptroller and Auditor General to the House of Commons**

I certify that I have audited the financial statements of Forestry Commission England/Central Services for the year ended 31 March 2016 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and Parliamentary Accountability Report that is described in those reports as having been audited.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 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 Forestry Commission England/Central Services' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Forestry Commission England/Central Services; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by 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 Forestry Commission England/Central Services' affairs as at 31 March 2016 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

**Opinion on other matters**

In my opinion:

- the parts of the Remuneration and Staff Report and Parliamentary Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

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

- adequate accounting records have not been kept or 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 and Staff Report and Parliamentary Accountability 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.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**6 July 2016**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

## Financial Statements

### CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2016

	Note	2015-16		2014-15	
		Core £000	Consolidated £000	Core £000	Consolidated £000
Other operating income	5	(19,528)	(24,446)	(20,503)	(25,604)
<b>Total operating income</b>		<b>(19,528)</b>	<b>(24,446)</b>	<b>(20,503)</b>	<b>(25,604)</b>
Staff costs		20,084	27,819	19,941	27,688
Other operating expenditure	4	39,940	44,299	31,327	35,809
<b>Total operating expenditure</b>		<b>60,024</b>	<b>72,118</b>	<b>51,268</b>	<b>63,497</b>
<b>Net operating expenditure</b>		<b>40,496</b>	<b>47,672</b>	<b>30,765</b>	<b>37,893</b>
<b>Other comprehensive net expenditure</b>					
Items which will not be reclassified to net operating costs:					
Net (gain) on revaluation of property, plant and equipment		(54)	(301)	(38)	(540)
Net (gain) on revaluation of intangible assets		-	(1)	-	-
<b>Comprehensive net expenditure for the year</b>		<b>40,442</b>	<b>47,370</b>	<b>30,727</b>	<b>37,353</b>

All income and expenditure is derived from continuing operations.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at 31 March 2016

	Note	31 March 2016		31 March 2015	
		Core	Consolidated	Core	Consolidated
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment	6	1,343	11,794	1,531	12,154
Intangible assets	7	595	630	1,029	1,071
Financial assets		-	25	-	25
Trade and other receivables	9	64	85	128	145
<b>Total non-current assets</b>		<b>2,002</b>	<b>12,534</b>	<b>2,688</b>	<b>13,395</b>
<b>Current assets</b>					
Inventories		140	140	142	144
Trade and other receivables	9	2,117	3,797	4,842	6,393
Cash and cash equivalents	10	7,157	7,425	7,590	7,726
<b>Total current assets</b>		<b>9,414</b>	<b>11,362</b>	<b>12,574</b>	<b>14,263</b>
<b>Total assets</b>		<b>11,416</b>	<b>23,896</b>	<b>15,262</b>	<b>27,658</b>
<b>Current liabilities</b>					
Trade and other payables	11	(10,586)	(11,861)	(11,937)	(13,343)
Provisions	12	(181)	(264)	(240)	(427)
<b>Total current liabilities</b>		<b>(10,767)</b>	<b>(12,125)</b>	<b>(12,177)</b>	<b>(13,770)</b>
<b>Non-current assets plus net current assets</b>		<b>649</b>	<b>11,771</b>	<b>3,085</b>	<b>13,888</b>
<b>Non-current liabilities</b>					
Trade and other payables	11	(240)	(240)	(545)	(545)
Provisions	12	(263)	(316)	(471)	(550)
<b>Total non-current liabilities</b>		<b>(503)</b>	<b>(556)</b>	<b>(1,016)</b>	<b>(1,095)</b>
<b>Assets less liabilities</b>		<b>146</b>	<b>11,215</b>	<b>2,069</b>	<b>12,793</b>
<b>Taxpayers' equity</b>					
General fund		(381)	3,284	1,557	5,120
Revaluation reserve		527	7,931	512	7,673
<b>Total taxpayers' equity</b>		<b>146</b>	<b>11,215</b>	<b>2,069</b>	<b>12,793</b>

I. Gambles  
Additional Accounting Officer

30 June 2016

**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended 31 March 2016

		<b>2015-16</b>	<b>2014-15</b>
	Note	<u>£000</u>	<u>£000</u>
<b>Cash flows from operating activities</b>			
Net operating cost		(47,672)	(37,893)
Adjustments for non cash transactions	4	2,663	2,885
Decrease / (increase) in inventories		4	(9)
Decrease / (increase) in trade and other receivables	9	2,656	(213)
(Decrease) / increase in trade and other payables	11	(1,787)	4,457
Movements in trade payables relating to Defra	11	301	(5,533)
Use of provisions	12	(1,293)	(1,172)
Non-cash inter-country transfers		97	-
<b>Net cash outflow from operating activities</b>		<b><u>(45,031)</u></b>	<b><u>(37,478)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(569)	(479)
Purchase of intangible assets	7	(14)	(55)
Proceeds of disposal of non-current assets		-	35
<b>Net cash outflow from investing activities</b>		<b><u>(583)</u></b>	<b><u>(499)</u></b>
<b>Cash flows from financing activities</b>			
Defra Funding		53,039	45,703
<b>Net financing</b>		<b><u>53,039</u></b>	<b><u>45,703</u></b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
		<b><u>7,425</u></b>	<b><u>7,726</u></b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>			
		<b><u>(301)</u></b>	<b><u>5,533</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>			
		<b><u>7,726</u></b>	<b><u>2,193</u></b>
<b>Cash and cash equivalents at the end of the period</b>			
		<b><u>7,425</u></b>	<b><u>7,726</u></b>

The notes on pages 54 to 76 form part of these accounts

**CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY****for the year ended 31 March 2016**

	Core			Consolidated			
	Note	General Fund £000	Revaluation Reserve £000	Total £000	General Fund £000	Revaluation Reserve £000	Total £000
<b>Balance at 31 March 2014</b>		<b>1,621</b>	<b>553</b>	<b>2,174</b>	<b>4,857</b>	<b>7,230</b>	<b>12,087</b>
Net Defra funding		37,758	-	37,758	37,977	-	37,977
Comprehensive net expenditure for the year		(30,765)	-	(30,765)	(37,893)	-	(37,893)
Internal charges adjustment		(7,181)	-	(7,181)	-	-	-
Transfer from revaluation reserve		78	(78)	-	96	(96)	-
Net gain on revaluation of property, plant and equipment		-	38	38	-	540	540
Release of reserves to the SCE		-	(1)	(1)	-	(1)	(1)
Non-cash charges - inter-country transfers		(2)	-	(2)	-	-	-
Non-cash charges - auditors remuneration		48	-	48	83	-	83
<b>Balance at 31 March 2015</b>		<b>1,557</b>	<b>512</b>	<b>2,069</b>	<b>5,120</b>	<b>7,673</b>	<b>12,793</b>
Net Defra funding		45,615	-	45,615	45,615	-	45,615
Comprehensive net expenditure for the year		(40,496)	-	(40,496)	(47,672)	-	(47,672)
Internal charges adjustment		(7,239)	-	(7,239)	-	-	-
Net gain on revaluation of property, plant and equipment		-	54	54	-	301	301
Transfer from revaluation reserve		39	(39)	-	43	(43)	-
Non-cash charges - inter-country transfers		97	-	97	97	-	97
Non-cash charges - auditors remuneration	4	46	-	46	81	-	81
<b>Balance at 31 March 2016</b>		<b>(381)</b>	<b>527</b>	<b>146</b>	<b>3,284</b>	<b>7,931</b>	<b>11,215</b>

*The notes on pages 54 to 76 form part of these accounts*



## Notes to the Accounts

### NOTE 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) as adapted and interpreted by the 2015-16 Government Financial Reporting Manual (FReM) issued by HM Treasury. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Forestry Commission England/Central Services for the purpose of giving a true and fair view has been selected. The particular policies selected by Forestry Commission are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and available-for-sale financial assets.

#### 1.2 Administrative and programme expenditure

The Consolidated Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The Forestry Commission is required to comply with the Administration Budget Regime. HM Treasury and Defra determined how the Forestry Commission programme and administration income and expenditure outturn should be recorded to best meet the requirements of the Administration Budget Regime.

Administration income and expenditure is recognised where the activity has not been classified as a front line service by HM Treasury and Defra. Where an activity has been classified as a front line service, the associated income and expenditure is recognised as programme.

Grants that include an element of co-financing from the European Union are accounted for by the Department for the Environment, Food and Rural Affairs.

#### 1.3 Funding paid to Forest Enterprise England

Forestry Commission England makes an annual funding payment to Forest Enterprise England. Funding is equal to Forest Enterprise England's agreed annual subsidy limit and is accounted for as programme expenditure through the Consolidated Statement of Comprehensive Net Expenditure. The public forest estate is accounted for by Forest Enterprise England, whose results as a public corporation are not incorporated within these or Defra's accounts.

#### 1.4 Public corporation dividend

Forestry Commission England receives a dividend from Forest Enterprise England, reflecting the expected rate of return on funding provided. This is included within programme income in the Consolidated Statement of Comprehensive Net Expenditure. The dividend rate has been agreed with HM Treasury and is set at zero per cent whilst Forest Enterprise England is loss-making. If Forest Enterprise England makes a surplus before revaluation gains on biological assets in the future, HM Treasury's real rate of 3.5 per cent will apply.

## 1.5 Employee benefits

### Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). PCSPS is an unfunded, defined benefit, contributory, public service occupation pension scheme. Forestry Commission England/Central Services accounts for the PCSPS scheme as a defined contribution plan and recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employee's services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, Forestry Commission England/Central Services recognises the contributions payable for the year. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### Performance pay

The Forestry Commission's Senior Pay Committee determines performance pay for staff in the Senior Staff Grade. The Committee comprises the Chairman, Director Scotland, Director England, Director Central Services and one other non-executive commissioner. Remaining Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining and the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Management System (PMS) of the Forestry Commission.

### Short-term employee benefits

A liability has been recognised for holiday entitlements earned to 31 March but not yet taken.

## 1.6 Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37. In addition, where applicable certain statutory and non-statutory contingent liabilities are disclosed for parliamentary reporting and accountability purposes under HM Treasury's "Managing Public Money". These include liabilities where the likelihood of economic costs and benefits are remote but there is a requirement to report them to Parliament where applicable.

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

## 1.7 Property, plant and equipment

Legal ownership of all land and buildings is vested in Ministers. Legal ownership of the timber, including uncut trees, is vested in the Forestry Commissioners and accounted for by Forest Enterprise England. Legal ownership of other tangible assets is vested in the Forestry Commissioners and accounted for in Forestry Commission England/Central Services, Forest Research Agency and Forest Enterprise England as appropriate.

Property, plant and equipment are revalued annually as at 31 March using specialist indices provided by Savills.

### Buildings

Buildings are shown at fair value less accumulated depreciation. The threshold for capitalisation of buildings is £10,000.

Professionally qualified staff members, employed by Forestry Commission England/Central Services, undertake a full revaluation of buildings at five yearly intervals coinciding with that for the Forest Estate and Other Land. Internal professionally qualified staff members follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value. Suitably qualified external valuers review the work of internal

professional valuers. A full valuation took place on 31 March 2013 and Smiths Gore, Chartered Surveyors, reviewed this.

#### Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Forestry Commission England/Central Services and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

#### Non-current assets held for sale

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management. Decisions to sell such assets, including surplus properties, take into account a number of factors including the social and environmental effects as well as marketability. Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, they are actively marketed and a sale within twelve months of the reporting date is considered to be highly probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

#### Plant and machinery

Plant and machinery are shown at fair value less accumulated depreciation. Assets are revalued every five years by professionally qualified staff employed by Forestry Commission England/Central Services. In the intervening years between professional valuations, values are restated using indices provided by the Office for National Statistics. The normal threshold for capitalisation of plant and machinery is £3,000.

#### Information technology

Information technology (IT) is shown at fair value less subsequent depreciation. IT values are restated to current value each year using indices provided by the Office for National Statistics. The normal threshold for capitalisation of IT assets is £2,000.

#### Assets under construction

Assets under construction are carried at the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are transferred to the appropriate property, plant and equipment category when completed and ready for use.

#### Revaluation reserve

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the Consolidated Statement of Comprehensive Net Expenditure. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Consolidated Statement of Comprehensive Net Expenditure and depreciation based on the asset's original cost is transferred from the revaluation reserve to the general fund.

### **1.8 Depreciation**

Land is assumed to have an indefinite economic life and is not depreciated. Assets under construction are not depreciated until the asset under construction is capable of operating in the manner intended by management. Depreciation is provided on all other tangible assets at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

Lease premium	unexpired term of the lease
---------------	-----------------------------

Freehold buildings	over 1 to 60 years
Buildings held under a finance lease	lesser of unexpired term of lease and 60 years
Plant and machinery	over 3 to 16 years
Plant and machinery held under a finance lease	lesser of unexpired term of lease and 16 years
Information technology	over 4 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Consolidated Statement of Comprehensive Net Expenditure. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the general fund.

### **1.9 Land and buildings leased to customers**

Assets leased to external parties under an operating lease are capitalised under the appropriate accounting policy. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

### **1.10 Government grants receivable**

Grants from the government are accounted for in accordance with IAS 20 as adapted by the FReM.

### **1.11 Subsidiaries, associates and joint ventures**

Investments held in subsidiaries, associates or joint ventures that are outside the departmental boundary and where Forestry Commission England/Central Services does not exercise in-year budgetary control are accounted for in accordance with paragraph 4.2.4 of the FReM. Where such an investment is in another public sector entity it is reported at historical cost less any impairment. Where an investment is in another entity it is accounted for following the requirements of IAS 39 (see note 1.23).

C-Cure Ltd is classified as an associate of the Forest Research Agency and is consolidated using the equity method in accordance with IAS 39.

### **1.12 Inventories**

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

### **1.13 Revenue recognition**

Income comprises the fair value of the consideration received or receivable from forestry and related activities. Revenue is shown net of value-added tax, returns, rebates and discounts. Forestry Commission England/Central Services recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to it.

### **1.14 Leases**

Where substantially all the risk and rewards of ownership of a leased asset are borne by Forestry Commission England/Central Services (a Finance Lease), the right to use the asset is initially recorded as a tangible asset.

Finance leases are capitalised at the lease commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury's rate of 3.5 per cent.

Assets held under Finance Lease are depreciated over the shorter of the useful life of the asset and the term of the lease. The value of each underlying asset is revalued annually as though ownership of the asset was vested in the Forestry Commissioners. The policies and procedures for carrying out revaluations are described in note 1.7.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the Consolidated Statement of Comprehensive Net Expenditure over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Costs (net of any incentives received from the lessor) in respect of operating leases (any lease other than a Finance Lease) are charged on a straight-line basis over the lease term.

### **1.15 Grants payable**

Grants payable to individuals and bodies by Forestry Commission England/Central Services in accordance with its statutory powers and duties are accounted for as they are approved for payment. No provision is made in the financial statements for grant offers made but not yet approved for payment, although they are quantified in note 15.

### **1.16 European Union (EU) funding**

The Forestry Commission acts under delegated authority from Parliament to administer third party grants paid from Objective 1 and Woodland Grant Scheme payments made under the national European Agricultural Guarantee and Guidance Fund and the European Agricultural Fund for Rural Development. Once grants become recognised, contributions from the EU are claimed. If grants are subsequently recovered because of failure to fulfill the condition of the relevant woodland grant scheme, the amount of co-financing may be repayable to the EU. All such transactions are reflected in the accounts of Defra.

### **1.17 Provisions**

Forestry Commission England/Central Services provides for present legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the real rate set by HM Treasury.

### **1.18 Value Added Tax (VAT)**

The Forestry Commission is registered for VAT. In order to comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Consolidated Statement of Comprehensive Net Expenditure is net of VAT. The Forestry Commission accounts for VAT on a Great Britain basis with any VAT due to or from HM Revenue and Customs at the year-end included in the Forestry Commission England/Central Services accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Consolidated Statement of Comprehensive Net Expenditure in the year in which it is incurred.

### **1.19 Segmental Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing

performance of the operating segments has been identified as the Forestry Commission Executive Board. In applying IFRS 8, management has determined that the Forestry Commission operates as one operating segment.

## 1.20 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Forestry Commission England/Central Services operates ('the functional currency'). The functional currency and the presentational currency of the financial statements is GB pounds sterling.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Net Expenditure.

## 1.21 Intangible assets

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

Where an active market does not exist, income generating assets are valued at the lower of depreciated replacement cost and value in use. Non-income generating assets are carried at depreciated replacement cost. These valuation methods are considered to be a proxy for fair value.

### Software licences

Acquired computer software licences are initially capitalised on the basis of the costs incurred to acquire and bring to use the specific software and subsequently revalued to depreciated replacement cost. Acquired computer software licences are amortised over their estimated useful lives dependent upon the period of the licence.

### Information Technology and Development Expenditure

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Forestry Commission England/Central Services are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the Information Technology internally developed software product, include the software development and employee costs. Information Technology intangible assets are amortised over their estimated useful lives of seven years.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs relate to internally developed software under construction and are recognised as intangible assets and subsequently revalued to depreciated replacement cost and amortised over their estimated useful lives of seven years.

## 1.22 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

## 1.23 Financial assets

### Classification

The Forestry Commission England/Central Services classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. Forestry Commission England/Central Services does not trade in derivatives and does not apply hedge accounting.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

#### (c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Available for sale financial assets comprise investments.

### Recognition and measurement

Financial assets are recognised when Forestry Commission England/Central Services becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and Forestry Commission England/Central Services has transferred substantially all risks and rewards of ownership.

#### (a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Consolidated Statement of Comprehensive Net Expenditure.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Consolidated Statement of Comprehensive Net Expenditure.

#### (b) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that Forestry Commission England/Central Services will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loans and receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Statement of Comprehensive Net Expenditure. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Consolidated Statement of Comprehensive Net Expenditure.

#### (c) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Consolidated Statement of Comprehensive Net Expenditure. Dividends on available-for-sale equity instruments are recognised in the Consolidated Statement of Comprehensive Net Expenditure when Forestry Commission England/Central Services' right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Forestry Commission England/Central Services establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Forestry Commission England/Central Services assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Consolidated Statement of Comprehensive Net Expenditure. Impairment losses recognised in the Consolidated Statement of Comprehensive Net Expenditure on equity instruments are not reversed through the Consolidated Statement of Comprehensive Net Expenditure.

### **1.24 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 original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

### **1.25 Financial liabilities**

#### Classification

Forestry Commission England/Central Services classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.



(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. Forestry Commission England/Central Services does not trade in derivatives and does not apply hedge accounting.

(b) Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the reporting date. These are classified as non-current liabilities. Forestry Commission England/Central Services' other financial liabilities comprise trade and other payables in the Statement of Financial Position.

Recognition and measurement

Financial liabilities are recognised when Forestry Commission England/Central Services becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Consolidated Statement of Comprehensive Net Expenditure.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Consolidated Statement of Comprehensive Net Expenditure.

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **1.26 Effective in these Financial Statements**

All International Financial Reporting Standards, Interpretations and Amendments effective at 31 March 2016 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.

### **1.27 Effective for future Financial Years**

At the date of authorisation of these financial statements, the following standards relevant to the Forestry Commission were issued but not yet effective:

IAS 1 Presentation of Financial Statements (Other Comprehensive Income);  
IAS 19 Post-Employment Benefits (Pensions);  
IAS 27 Separate Financial Statements;  
IFRS 9 Financial Instruments, Classification and Measurement;  
IFRS 10 Consolidated Financial Statements;  
IFRS 11 Joint Arrangements;  
IFRS 12 Disclosure of Interests in Other Entities; and  
IFRS 16 Leases.

These standards have not been adopted by the Forestry Commission ahead of their implementation date. The future impact of IAS 1 and 19 is not considered to be significant. IFRS 9, 10, 11, 12, 16 and IAS 27 are still subject to consultation by HM Treasury. The Forestry Commission will review and assess the impact following the outcome of these consultations.

The Forestry Commission has also reviewed the changes in the FReM and determined that there will be no significant impact on the accounts from 2015-16.

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## **NOTE 2      CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements requires the Forestry Commission England/Central Services to make estimates, assumptions and judgements. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates, assumptions and judgements that are deemed to have a significant risk of causing a material adjustment to the carrying amounts of the Forestry Commission England/Central Services' assets and liabilities are as follows:

### **Forest Research Agency development activities**

Per IAS 38 Intangible Assets an intangible asset arising from development shall be recognised if all of the following can be demonstrated by the entity:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset itself, or if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure the expenditure attributable to the intangible asset during its development.

To date it has been deemed that the development activities undertaken by the Forest Research Agency have not met these conditions and therefore no intangible assets relating to development have been recognised by the Agency. This will continue to be reviewed on an on-going basis.

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**NOTE 3 STAFF COSTS**

	<b>2015-16</b>	<b>2014-15</b>
	<b>Total</b>	<b>Total</b>
	<u>£000</u>	<u>£000</u>
<b>England/Central Services Core</b>		
Wages and salaries	14,506	14,937
Social security costs	1,136	1,188
Other pension costs	2,955	2,739
Other	1,433	885
<b>Total net costs</b>	<b><u>20,030</u></b>	<b><u>19,749</u></b>
<b>Forest Research</b>		
Wages and salaries	6,028	6,131
Social security costs	479	485
Other pension costs	1,228	1,131
Other	-	-
<b>Total net costs</b>	<b><u>7,735</u></b>	<b><u>7,747</u></b>
<b>Forestry Commission England/Central Services Consolidated Department</b>		
Total costs per SoCNE	27,819	27,688
Less recoveries in respect of outward secondments	(54)	(192)
<b>Total net costs</b>	<b><u>27,765</u></b>	<b><u>27,496</u></b>

The staff costs shown above are analysed in further detail in the Remuneration and Staff Report.

**NOTE 4 OTHER EXPENDITURE**

	2015-16		2014-15	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Staff transfers	79	107	95	103
Computer costs	3,942	3,982	3,217	3,280
Travel and subsistence	1,101	1,614	1,145	1,683
Accommodation	1,643	2,383	1,849	2,824
Communication	1,413	1,455	1,329	1,366
Training	419	454	378	416
Premature retirement costs	1	5	34	34
Losses and compensation	22	19	20	(53)
Legal expenses	143	145	121	123
Partnership and publicity	3,812	5,469	6,734	8,686
Private woodland grants	633	633	596	596
Forest Enterprise England funding	20,519	20,519	8,800	8,800
Other	1,765	1,987	1,904	2,132
	<b>35,492</b>	<b>38,772</b>	<b>26,222</b>	<b>29,990</b>
<b>Rentals under operating leases:</b>				
Hire of plant and machinery	167	167	116	116
Other operating leases	1,974	1,974	1,973	1,973
	<b>2,141</b>	<b>2,141</b>	<b>2,089</b>	<b>2,089</b>
<b>Research and development expenditure:</b>	<b>723</b>	<b>723</b>	<b>845</b>	<b>845</b>
<b>Non cash items</b>				
Notional audit fees - audit work	46	81	48	83
Depreciation of property, plant and equipment	512	1,196	571	1,254
Amortisation of intangible assets	446	457	780	789
Loss on disposal of property, plant and equipment	16	33	41	45
Revaluation reserve write-off	-	-	(1)	(1)
Provisions				
Provided in year	613	931	707	844
Provisions not required written back	(58)	(62)	-	(158)
Unwinding of discount	9	27	25	29
	<b>1,584</b>	<b>2,663</b>	<b>2,171</b>	<b>2,885</b>
<b>Total</b>	<b>39,940</b>	<b>44,299</b>	<b>31,327</b>	<b>35,809</b>

**NOTE 5 INCOME**

	2015-16		2014-15	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Project and partnership income	481	481	2,457	2,457
Other income	2,099	6,604	2,246	6,565
EU receipts	-	413	-	783
Income from Scotland	7,483	7,483	6,793	6,793
Income from Wales	2,175	2,175	2,515	2,515
Income from Forest Enterprise England	7,290	7,290	6,492	6,492
<b>Total</b>	<b>19,528</b>	<b>24,446</b>	<b>20,503</b>	<b>25,604</b>

On consolidation, the internal income received by Central Services from Cross Border functions £1,484,000 (2014-15: £1,754,000), Forestry Commission England £1,683,000 (2014-15: £1,527,000) and Forest Research £711,000 (2014-15: £705,000) was removed from programme income. Internal income received by Forest Research of £142,000 from Forestry Commission England, and income received by Forestry Commission England of £202,000 from Central Services, £46,000 from Forest Research and £1,025,000 from within Forestry Commission England have also been removed on consolidation.

## NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant & machinery	OME	AUC	Total
	£000	£000	£000	£000	£000	£000
<b>Valuation :</b>						
At 1 April 2015	1,934	14,431	4,378	1,354	-	22,097
Additions	-	-	321	19	229	569
Disposals	-	(17)	(266)	(316)	-	(599)
Transfers / reclassifications	-	223	-	-	(224)	(1)
Revaluations	26	345	166	15	-	552
<b>At 31 March 2016</b>	<b>1,960</b>	<b>14,982</b>	<b>4,599</b>	<b>1,072</b>	<b>5</b>	<b>22,618</b>
<b>Depreciation :</b>						
At 1 April 2015	-	6,933	2,185	825	-	9,943
Charged in year	-	405	537	254	-	1,196
Disposals	-	(15)	(235)	(316)	-	(566)
Revaluations	-	176	68	7	-	251
<b>At 31 March 2016</b>	<b>-</b>	<b>7,499</b>	<b>2,555</b>	<b>770</b>	<b>-</b>	<b>10,824</b>
<b>Net Book Value :</b>						
<b>At 31 March 2016</b>	<b>1,960</b>	<b>7,483</b>	<b>2,044</b>	<b>302</b>	<b>5</b>	<b>11,794</b>
At 31 March 2015	1,934	7,498	2,193	529	-	12,154
<b>Asset financing :</b>						
Owned	1,960	7,483	1,498	302	5	11,248
Finance leased	-	-	546	-	-	546
<b>Net Book Value at 31 March 2016</b>	<b>1,960</b>	<b>7,483</b>	<b>2,044</b>	<b>302</b>	<b>5</b>	<b>11,794</b>

Land and Buildings were valued as at 31 March 2013 by professionally qualified staff employed by the Forestry Commission and approved by Mr Mark Thornycroft, FRICS who was Head of Estates. The results of this valuation were also subject to professional review by Smiths Gore, Chartered Surveyors. The next professional valuation is due on 31 March 2018. In the intervening years, the assets are revalued using the indices detailed in note 1.7.

Plant and Machinery are valued at five-year intervals. A professional valuation took place on 31 March 2016. Professionally qualified staff employed by the Forestry Commission undertook the valuation which was approved by Jeffrey Livingston, CEng, Project Officer. In the intervening years, revaluations are on the basis of indices provided by the Office of National Statistics (ONS) or internal professional staff as appropriate.

Office machinery and equipment (OME) assets were restated to a current value of £302,000 as at 31 March 2016 using an index provided by the ONS.

Depreciation expense of £1,196,000 (2014-15: £1,254,000) has been charged in other programme costs in the Consolidated Statement of Comprehensive Net Expenditure.

	<b>Land</b>	<b>Buildings</b>	<b>Plant &amp; machinery</b>	<b>OME</b>	<b>AUC</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000
<b>Valuation :</b>						
At 1 April 2014	1,913	13,497	4,269	1,988	103	21,770
Additions	-	21	231	77	150	479
Disposals	-	(114)	(350)	(724)	-	(1,188)
Transfers / reclassifications	-	106	147	-	(253)	-
Revaluations	21	921	81	13	-	1,036
At 31 March 2015	<b>1,934</b>	<b>14,431</b>	<b>4,378</b>	<b>1,354</b>	-	<b>22,097</b>
<b>Depreciation :</b>						
At 1 April 2014	-	6,151	1,983	1,167	-	9,301
Charged in year	-	397	488	369	-	1,254
Disposals	-	(76)	(315)	(717)	-	(1,108)
Revaluations	-	461	29	6	-	496
At 31 March 2015	-	<b>6,933</b>	<b>2,185</b>	<b>825</b>	-	<b>9,943</b>
<b>Net Book Value :</b>						
<b>At 31 March 2015</b>	<b>1,934</b>	<b>7,498</b>	<b>2,193</b>	<b>529</b>	-	<b>12,154</b>
At 31 March 2014	1,913	7,346	2,286	821	103	12,469
<b>Asset financing :</b>						
Owned	1,934	7,498	1,738	529	-	11,699
Finance leased	-	-	455	-	-	455
<b>Net Book Value at 31 March 2015</b>	<b>1,934</b>	<b>7,498</b>	<b>2,193</b>	<b>529</b>	-	<b>12,154</b>

Analysis of property, plant and equipment:

The net book value of property, plant and equipment comprises:

	<b>Land</b>	<b>Buildings</b>	<b>Plant &amp; machinery</b>	<b>OME</b>	<b>AUC</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000
<b>Core at 31 March 2016</b>	-	<b>407</b>	<b>634</b>	<b>302</b>	-	<b>1,343</b>
<b>Agency at 31 March 2016</b>	<b>1,960</b>	<b>7,076</b>	<b>1,410</b>	-	<b>5</b>	<b>10,451</b>
Core at 31 March 2015	-	411	591	529	-	1,531
Agency at 31 March 2015	1,934	7,087	1,602	-	-	10,623

**NOTE 7 INTANGIBLE ASSETS**

	<b>Software licenses</b>	<b>Information technology</b>	<b>Development expenditure</b>	<b>2015-16 Total</b>
	£000	£000	£000	£000
<b>Cost or valuation:</b>				
At 1 April 2015	1,886	10,862	42	12,790
Additions	-	14	-	14
Disposals	-	-	-	-
Revaluation to current prices	1	-	-	1
<b>At 31 March 2016</b>	<b>1,887</b>	<b>10,876</b>	<b>42</b>	<b>12,805</b>
<b>Amortisation:</b>				
At 1 April 2015	1,730	9,989	-	11,719
Provided during year	47	409	-	456
Disposals	-	-	-	-
Revaluation to current prices	-	-	-	-
<b>At 31 March 2016</b>	<b>1,777</b>	<b>10,398</b>	<b>-</b>	<b>12,175</b>
<b>Net book value :</b>				
<b>At 31 March 2016</b>	<b>110</b>	<b>478</b>	<b>42</b>	<b>630</b>
At 31 March 2015	156	873	42	1,071

	<b>Software licenses</b>	<b>Information technology</b>	<b>Development expenditure</b>	<b>2014-15 Total</b>
	£000	£000	£000	£000
<b>Cost or valuation:</b>				
At 1 April 2014	1,902	10,815	42	12,759
Additions	8	47	-	55
Disposals	(25)	-	-	(25)
Revaluation to current prices	1	-	-	1
<b>At 31 March 2015</b>	<b>1,886</b>	<b>10,862</b>	<b>42</b>	<b>12,790</b>
<b>Amortisation:</b>				
At 1 April 2014	1,681	9,273	-	10,954
Provided during year	73	716	-	789
Disposals	(25)	-	-	(25)
Transfers	-	-	-	-
Revaluation to current prices	1	-	-	1
<b>At 31 March 2015</b>	<b>1,730</b>	<b>9,989</b>	<b>-</b>	<b>11,719</b>
<b>Net book value :</b>				
<b>At 31 March 2015</b>	<b>156</b>	<b>873</b>	<b>42</b>	<b>1,071</b>
At 31 March 2014	221	1,542	42	1,805

Analysis of intangible assets:

The net book value of intangible assets comprises:

	<b>Software licenses</b>	<b>Information technology</b>	<b>Development expenditure</b>	<b>Total</b>
	£000	£000	£000	£000
<b>Core at 31 March 2016</b>	<b>75</b>	<b>478</b>	<b>42</b>	<b>595</b>
<b>Agency at 31 March 2016</b>	<b>34</b>	<b>-</b>	<b>-</b>	<b>34</b>
Core at 31 March 2015	114	873	42	1,029
Agency at 31 March 2015	42	-	-	42

Amortisation of £455,000 (2014-15: £789,000) is included in other programme costs in the statement of Comprehensive Net Expenditure.

The Grants and Licences Online System (GLOS) has been capitalised and included within the Information Technology asset class. The carrying amount at 31 March 2016 is £304,000 and is being amortised over 1 more year.

## NOTE 8 FINANCIAL INSTRUMENTS

### Financial Instruments by category

	31 March 2016			31 March 2015		
	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000	£000	£000
<b>Assets as per the Statement of Financial Position</b>						
Available for sale financial assets	-	25	25	-	25	25
Trade and other receivables	1,914	-	1,914	3,565	-	3,565
Cash and cash equivalents	7,425	-	7,425	7,726	-	7,726
<b>Total</b>	<b>9,339</b>	<b>25</b>	<b>9,364</b>	<b>11,291</b>	<b>25</b>	<b>11,316</b>

	31 March 2016		31 March 2015	
	Other financial liabilities	Total	Other financial liabilities	Total
	£000	£000	£000	£000
<b>Liabilities as per the Statement of Financial Position</b>				
Finance lease liabilities	402	402	310	310
Trade and other payables excluding statutory liabilities	3,528	3,528	4,924	4,924
<b>Total</b>	<b>3,930</b>	<b>3,930</b>	<b>5,234</b>	<b>5,234</b>

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



**NOTE 9 TRADE RECEIVABLES, FINANCIAL AND OTHER ASSETS**

	31 March 2016		31 March 2015	
	Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Amounts falling due within one year:</b>				
Trade receivables	672	1,553	2,648	3,365
Less: provision for impairment of trade receivables	(13)	(13)	(13)	(13)
Trade receivables - net	659	1,540	2,635	3,352
VAT	317	317	-	3
Other receivables	259	272	48	50
House purchase loans to employees	15	17	16	18
Prepayments and accrued income	867	1,651	2,143	2,970
<b>Total current receivables</b>	<b>2,117</b>	<b>3,797</b>	<b>4,842</b>	<b>6,393</b>
<b>Amounts falling due after more than one year:</b>				
House purchase loans to employees	43	58	60	77
Prepayments and other accrued income	21	27	49	49
Other receivables	-	-	19	19
<b>Total non-current receivables</b>	<b>64</b>	<b>85</b>	<b>128</b>	<b>145</b>
<b>Total receivables</b>	<b>2,181</b>	<b>3,882</b>	<b>4,970</b>	<b>6,538</b>

The carrying amounts of trade and other receivables are a reasonable approximation of their fair value.

Trade receivables of £580,000 (2014-15: £675,000) were past due but not impaired as of 31 March 2016. These relate to a number of customers for whom there is no recent history of default.

**NOTE 10 CASH AND CASH EQUIVALENTS**

	31 March 2016		31 March 2015	
	Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Balance at 1 April</b>	<b>7,590</b>	<b>7,726</b>	<b>1,938</b>	<b>2,193</b>
Net change in cash and cash equivalent balances	(433)	(301)	5,652	5,533
<b>Balance at 31 March</b>	<b>7,157</b>	<b>7,425</b>	<b>7,590</b>	<b>7,726</b>
	Core £000	31 March 2016 Consolidated £000	Core £000	31 March 2015 Consolidated £000
<b>The following balances are held at:</b>				
Balance with the Government Banking Service	7,157	7,420	7,590	7,590
Cash at commercial banks and cash in hand	-	5	-	136
<b>Total</b>	<b>7,157</b>	<b>7,425</b>	<b>7,590</b>	<b>7,726</b>
<b>The balance at 31 March comprises:</b>				
Amounts issued from the consolidated fund for supply but not spent at the year end	7,157	7,425	7,590	7,726

**NOTE 11 TRADE PAYABLES AND OTHER CURRENT LIABILITIES**

	31 March 2016		31 March 2015	
	Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Amounts falling due within one year:</b>				
Other taxation and social security	-	-	176	247
Trade payables	594	761	936	1,142
VAT	-	82	354	354
Other payables	25	40	1	1
Accruals and deferred income	2,380	2,981	2,622	3,178
Current part of finance leases	162	162	103	103
Payments received on account	-	410	19	592
Amounts issued from Defra vote but not spent at year end	7,425	7,425	7,726	7,726
	<b>10,586</b>	<b>11,861</b>	<b>11,937</b>	<b>13,343</b>
<b>Amounts falling due after more than one year:</b>				
Finance leases	240	240	207	207
Payments received on account	-	-	338	338
	<b>240</b>	<b>240</b>	<b>545</b>	<b>545</b>
<b>Total payables</b>	<b>10,826</b>	<b>12,101</b>	<b>12,482</b>	<b>13,888</b>

The carrying amounts of trade and other payables are a reasonable approximation of their fair value.

The carrying amounts of trade and other payables are denominated in the following currencies:

	31 March 2016 £000	31 March 2015 £000
GBP Sterling	11,791	13,653
Euro	310	235
	<b>12,101</b>	<b>13,888</b>

**NOTE 12 PROVISIONS FOR LIABILITIES AND CHARGES**

	Core			Consolidated		
	Early departure costs £000	Other provisions £000	Total £000	Early departure costs £000	Other provisions £000	Total £000
<b>At 1 April 2014</b>	<b>986</b>	-	<b>986</b>	<b>1,367</b>	<b>67</b>	<b>1,434</b>
Provided in year	160	547	707	212	632	844
Provisions not required written back	-	-	-	(158)	-	(158)
Utilised in year	(460)	(547)	(1,007)	(551)	(621)	(1,172)
Unwinding of discount	25	-	25	29	-	29
<b>At 1 April 2015</b>	<b>711</b>	-	<b>711</b>	<b>899</b>	<b>78</b>	<b>977</b>
Provided in year	102	511	613	104	827	931
Provisions not required written back	(17)	(41)	(58)	(17)	(45)	(62)
Utilised in year	(367)	(464)	(831)	(484)	(809)	(1,293)
Unwinding of discount	9	-	9	27	-	27
<b>At 31 March 2016</b>	<b>438</b>	<b>6</b>	<b>444</b>	<b>529</b>	<b>51</b>	<b>580</b>

Analysis of expected timing of discounted cash flows:

	Core			Consolidated		
	Early departure costs	Other Provisions	Total	Early departure costs	Other Provisions	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	175	6	181	213	51	264
Later than one year and not later than five years	263	-	263	316	-	316
<b>At 31 March 2016</b>	<b>438</b>	<b>6</b>	<b>444</b>	<b>529</b>	<b>51</b>	<b>580</b>

### Early departure costs

Forestry Commission England/Central Services meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forestry Commission England/Central Services provides for this in full when the early retirement programme becomes binding on Forestry Commission England/Central Services by establishing a provision for the estimated payments, and discounting the provision at the HM Treasury-stipulated rate of 1.37%

### Other provisions

An HMRC audit of the Forestry Commission's treatment of VAT and Income Tax is underway. Provisions for HMRC liabilities have been raised during the year to address areas of non-compliance. The values are included within Other Provisions and amounted to £787,000 in 2015-16. The HMRC audit is continuing into 2016-17 and an unquantifiable contingent liability is disclosed within note 16 to recognise the possibility of future non-compliance liabilities arising from the audit.

## NOTE 13 COMMITMENTS UNDER LEASES

### 13(a) Operating leases

Operating lease rentals are charged on a straight-line basis over the term of the lease. Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	31 March 2016		31 March 2015	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
<b>Obligations under operating leases for the following periods comprise:</b>				
<b>Land</b>				
Not later than one year	-	7	-	2
Later than one year and not later than five years	-	21	-	3
<b>Total</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>5</b>
<b>Buildings</b>				
Not later than one year	2,073	2,073	2,356	2,363
Later than one year and not later than five years	7,988	7,988	9,178	9,204
More than five years	3,994	3,994	8,078	8,078
<b>Total</b>	<b>14,055</b>	<b>14,055</b>	<b>19,612</b>	<b>19,645</b>
<b>Other leases</b>				
Not later than one year	132	132	51	51
Later than one year and not later than five years	83	83	19	19
<b>Total</b>	<b>215</b>	<b>215</b>	<b>70</b>	<b>70</b>

Building lease rentals include irrecoverable VAT.

**13(b) Finance leases**

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

	<b>31 March 2016</b>		<b>31 March 2015</b>	
	<b>Core</b>	<b>Consolidated</b>	<b>Core</b>	<b>Consolidated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Obligations under finance leases for the following periods comprise:</b>				
<b>Plant and machinery</b>				
Not later than one year	175	175	118	118
Later than one year and not later than five years	252	252	217	217
	<u>427</u>	<u>427</u>	<u>335</u>	<u>335</u>
Less: interest element	(25)	(25)	(25)	(25)
<b>Present value of obligations</b>	<u><b>402</b></u>	<u><b>402</b></u>	<u><b>310</b></u>	<u><b>310</b></u>

**NOTE 14 CAPITAL COMMITMENTS**

There were no contracted capital commitments at 31 March 2016 (2014-15: £nil).

**NOTE 15 OTHER FINANCIAL COMMITMENTS****Existing woodlands**

Forestry Commission England's commitments under signed contracts for grants which support existing woodlands are reducing as the scheme has closed. Commitments of £687,000 at 31 March 2016 (2014-15: £1,166,000) all relate to the Core department.

The above payments analysed by the period during which the commitment expires are as follows:

	<b>2015-16</b>	<b>2014-15</b>
	<b>Consolidated</b>	<b>Consolidated</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	394	479
Later than one year and not later than five years	293	687
	<u><b>687</b></u>	<u><b>1,166</b></u>

**NOTE 16 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37**

An HMRC audit of the Forestry Commission's treatment of VAT and Income Tax is underway. Provisions for HMRC liabilities have been raised during the year to address areas of non-compliance. These liabilities are included within note 12 and were subsequently settled by 31 March 2016.

The HMRC audit is continuing into 2016-17, and in accordance with IAS 37, an unquantifiable contingent liability is disclosed to recognise the possibility of future non-compliance liabilities arising from the audit.

**NOTE 17 OPERATING LEASE RECEIVABLES**

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	<b>Core</b>	<b>31 March 2016</b>	<b>Core</b>	<b>31 March 2015</b>
	<b>£000</b>	<b>Consolidated</b>	<b>£000</b>	<b>Consolidated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Not later than one year	973	973	1,029	1,029
Later than one year and not later than five years	3,891	3,891	4,118	4,118
More than five years	1,945	1,945	1,960	1,960
	<b>6,809</b>	<b>6,809</b>	<b>7,107</b>	<b>7,107</b>

The Forestry Commission sub-leased parts of a building to two third parties under agreements which will terminate in August 2022. A sub-lease that terminates in October 2020 has been transferred to Forest Enterprise England at 1 April 2016.

**NOTE 18 CONSOLIDATED RELATED-PARTY TRANSACTIONS**

Forestry Commission England's Public Corporation Forest Enterprise England is regarded as a related party. During the year, Forestry Commission England provided an annual subsidy limit of £20,519,000 to Forest Enterprise England.

In addition, Forestry Commission England/Central Services has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission has had dealings are HM Treasury, HM Revenue and Customs, the Department for the Environment, Food and Rural Affairs, the Department for Communities and Local Government, Government Banking Service and the Greater London Authority.

In the year to 31 March 2016, Forest Enterprise England entered into material transactions involving Simon Hodgson, Chief Executive, which are disclosed in their Annual Report and Accounts for 2015-16.

The following additional transactions were carried out with related parties:

**18(a) Transactions with Tilhill Forestry**

	<b>Forestry</b>	<b>Forest</b>
	<b>Commission</b>	<b>Enterprise</b>
	<b>England/</b>	<b>England</b>
	<b>Central</b>	<b>England</b>
	<b>Services</b>	<b>England</b>
	<b>£000</b>	<b>£000</b>
<b>2015-16</b>		
Sales	2	3,801
Purchases	4	213
	<b>£000</b>	<b>£000</b>
<b>As at 31 March 2016</b>		
Receivable	1	137
Payable	-	42

George McRobbie, a Non-Executive Commissioner, is a Director of Tilhill Forestry. Forestry Commission England/Central Services and Forest Enterprise England had transactions with Tilhill Forestry as shown above during the year. Tilhill Forestry also received Woodland Grants on behalf of Tilhill Forestry clients totalling £280,000. Further transactions between Tilhill Forestry and Forestry Commission Scotland are reported in their Annual Report and Accounts.

**18(b) Transactions with C-Cure Solutions Ltd**

	<u>2015-16</u>	<u>2014-15</u>
	<u>£000</u>	<u>£000</u>
C-Cure Solutions Ltd	12	11
	<b>12</b>	<b>11</b>

The above value related to income received for rent of accommodation and water samples from C-Cure Solutions Ltd. James Pendlebury is the Forest Research Agency Director of the company. The balance outstanding as at 31 March 2016 amounted to £3,500 (2014-15: £58).

**18(c) Transactions with University of Southampton**

	<u>2015-16</u>	<u>2014-15</u>
	<u>£000</u>	<u>£000</u>
Sales	8	-
Purchases	103	86

The above sales transactions for student stipend, samples and participation in a collaboration agreement and purchase transactions for oak processionary moth support are disclosed as Peter Freer-Smith, Research Director at Forest Research, holds a visiting professorship at the University of Southampton. The outstanding sales balance at 31 March 2016 was £4,700 (2014-15: nil) and outstanding purchase balance was £11,000 (2014-15: nil).

**18(d) Transactions with James Hutton Institute**

	<u>2015-16</u>	<u>2014-15</u>
	<u>£000</u>	<u>£000</u>
James Hutton Institute	11	-
	<b>11</b>	<b>-</b>

Ian Gambles, Director England, is Director of James Hutton Institute, a company limited by guarantee, registered as a charity which carries out scientific research for the Scottish Government and other customers. James Hutton Institute received a payment from Forest Research Agency for scientific services relating to the impact of fungicides. The full amount was outstanding as at 31 March 2016, but has subsequently been paid in full.

**18(e) Other**

Clive Tucker, a Non-Executive Committee member received Woodland Improvement Grants of £1,500 (2014-15: £9,600) and a Woodland Planning Grant of £1,000 during the year. There were no additional payments outstanding as at 31 March 2016.

Mary Barkham, a Non-Executive Commissioner, is a Trustee for The Earth Trust. The Earth Trust received two Woodland Improvement Grants totalling £11,000, a Farm Woodland Premium Scheme Grant of £100, and a Farm Woodland Scheme Grant of £100. There were no outstanding payments as at 31 March 2016.

Sir Harry Studholme, Chair and Commissioner for Forestry Commission England, received a Woodland Improvement Grant of £22,000 during the year, and also as Chairman of the William Robinson Gravetye Charity a Woodland Improvement Grant of £29,000. There were no further payments due as at 31 March 2016. The brother of Sir Harry Studholme, Chair and Commissioner for Forestry Commission England, received a Farm Woodland Premium Scheme grant of £300 during the year (2014-15: £31,800), and a Woodland Planning Grant of £1,300. There were no further payments due as at 31 March 2016.

In 2014-15, the partner of Amanda Bryan, a Forestry Commissioner, was involved in transactions in relation to Aigas community forest. Outstanding rental of £1,000 was received, and £760,000 was paid to Forestry Commission Scotland under the National Forest Land Scheme. There were no transactions in 2015-16.

#### **18(f) Key management compensation**

Key management personnel are deemed to be the members of the Forestry Commission Executive Board, the National Committee for England, the England Executive Board and the Executive Board of Forest Research.

Refer to the Remuneration Report for further details of remuneration of the Forestry Commission Executive Board, the National Committee for England and the England Executive Board.

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#### **NOTE 19      EVENTS AFTER 31 MARCH 2016**

In accordance with the requirements of IAS 10, events after 31 March 2016 are considered up to the date on which the accounts are authorised for issue. The authorised for issue date is the date of the Comptroller and Auditor General's audit certificate.

On 23rd June the UK voted to leave the European Union (EU). Forestry Commission England/Central Services has some interaction with the EU, including via the Common Agriculture Policy. The Government has two years under the Article 50 process to seek to negotiate the terms of the UK's exit, with the possibility of extending this time frame with the agreement of the other 27 Member States.

The decision to leave the EU has no impact on the figures disclosed in these accounts, and the long-term implications for Forestry Commission England/Central Services are not yet known.

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