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# **Forestry Commission England/Central Services**

## **Annual Report and Accounts 2014-15**

**(For the year ended 31 March 2015)**

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

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## Foreword by Sir Harry Studholme, Chair

The Forestry Commission continues to protect, improve and expand our nation's forests and woodlands against a backdrop of significant public sector reform.

We have stepped up work with partners to prevent the spread of pests and diseases that threaten the nation's woodlands. The very positive results include agreeing a Plant Biosecurity Strategy for Britain that prioritises management of chalara ash dieback, oak processionary moth (OPM) and Phytophthora ramorum, which kills larch. Last year we identified 257 hectares of newly infected larch, compared to 800 hectares in 2013, marking good progress for our control strategy.

We are also busier with regulatory work. We received 286 reports of alleged illegal felling — the felling of trees without the required licence — of which 63 were subject to a full investigation. We issued 41 restocking notices, requiring new trees to be planted.

Creation of new woodland continues at a good rate. Last year we enabled landowners to create 1,782 hectares of new woodland through England Woodland Grant Scheme funding. In November, our England National Committee (ENC) approved a disputed woodland creation scheme grant application at Wallshield in Northumberland, the first mainly conifer-based scheme of its kind in several years. We also completed the Big Tree Plant, planting over 1 million trees in England, across 3,300 sites through awards to 160 community groups.

Thanks to our efforts, woodlands are becoming more productive, which is good for jobs, access and wildlife. We approved management plans for 47,614 hectares of woodland in 2014-15, increasing privately owned woodland in active management from 52% in 2011 to 58% in 2015. We continue to put forestry on the rural economy map. Our Roots to Prosperity partnership work, for example, sets out to create 1,000 new jobs and generate £54m in Gross Value Added by unlocking the potential of our northern woodlands.

As I reflect on my first full year as Chair of the Forestry Commission, it gives me immense pride that we have achieved all of this and much more while preparing our organisation for further challenges.

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

We have made many improvements over the last year to make sure that the Forestry Commission is in good shape to meet the changing needs of the England and Scotland Governments.

This includes re-shaping Forest Enterprise England's (FEE) National Office teams and Forest Services in England to help our organisation become more effective. For FEE, we have put new governance arrangements in place, including a Board with non-executives that are already helping to bring a broader perspective to our business. Forest Services has reviewed and improved its structures following changes to European Union payments, and their delivery through the new Countryside Stewardship scheme.

We have also made good progress developing plans for the effective delivery of cross-border functions and activities currently undertaken by Central Services, in particular those undertaken by Corporate and Forestry Support and Forest Research.

As forestry becomes more devolved, ensuring we have strong links across the UK becomes ever more important. A new Great Britain and Northern Ireland Tree Health Advisory Group has been established to provide a perspective on tree health issues across the UK, and to discuss common approaches to managing new pest and disease threats.

Our people's health and safety remains a top priority. Our new Health and Safety Strategy and Action Plan have resulted in more co-ordinated and consistent practice across the organisation. We are also working ever more closely with the forestry industry to ensure we all embed safety firmly in our working practices and culture.

I am confident we are in good shape to face new challenges in the coming year, thanks to the commitment and professionalism of staff, and the strong relationships with our partners.

## ANNUAL REPORT

### STRATEGIC REPORT

#### 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 provided centrally on behalf of England and Scotland and in some cases Wales.

This Annual Report reports performance against Forestry Commission England's Corporate Plan as well as the activities in the Cross Border Corporate Plan and Central Services.

#### Priorities

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

Everything we do is focussed on achieving the following objectives in priority order:

- **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.

Our performance is measured against a variety of key performance indicators which are examined in more depth later in this report. These KPIs will be subject to review over the coming year.

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.

#### 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.

## Honours

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

- Mr Paul Anthony Nolan, OBE, Director, Mersey Forest
- Betsy Walling BEM, Forestry Commission Scotland

## 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)

## Delivery of our priorities

### Protect

#### Help the sector reduce the threat to forest trees from pests and diseases

We have completed the establishment of a significantly strengthened FC expert tree health capability, made possible by additional investment provided by the Department for Environment and Rural Affairs (Defra). We maintain a strong collaborative relationship to tackle pests and diseases at a cross-border level.

Further information about management action we have taken to combat specific threats is set out at page 14 below.

#### Regulate to protect the woodland resource

##### Tree Felling

Forestry Commission England issued 2,283 felling licences which were not linked to new grant agreements in 2014-15. These covered an area of 22,152 hectares.

We received 286 reports of alleged illegal felling, the felling of trees without the required licence. Following investigation 69 reports were identified as breaches or possible breaches of the controls on tree felling:

- 27 investigations resulted in Forestry Commission England serving a Notice to restock land with trees.
- 9 investigations resulted in formal warnings being issued.
- 5 investigations led to advisory letters being issued; this is where an offence could not be confirmed.

- 28 investigations are either still pending a decision on the final action or are in the process of having a Restocking Notice issued.

A further 21 Restocking Notices were issued in the year as a result of investigations into reports of illegal felling that had taken place in previous years. The Minister upheld our decision to issue a Restocking Notice issued in 2012-13 after an appeal hearing.

We facilitated a successful prosecution for illegal felling at Sherfield on Loddon near Basingstoke: a high profile case that highlighted government's important role in protecting England's valuable woodlands from illegal felling, which remains at low levels by international comparison.

### Environmental Impact Assessment

During the year none of the EIA projects screened for an Opinion led to a Determination under the Environmental Impact Assessment (Forestry) (England and Wales) Regulations 1999 that the project required a full Environmental Statement.

### Woodfuel and procurement standards

The Renewable Heat Incentive has continued to help increase demand for woodfuel and this is having a positive effect on many forest based businesses. There are around 6,000 woodfired boilers supported by this scheme in England with an estimated fuel demand of around 700,000 tonnes of wood a year. We have helped support the development of the Biomass Suppliers List that was launched in April 2014. In future all recipients of the Renewable Heat Incentive will need to demonstrate that their fuel is sourced from legally and sustainably managed woodlands. The Biomass Suppliers List, established by the Department of Energy and Climate Change will provide end users with a straightforward way of doing this whilst ensuring supply chains comply with the UK Forestry Standard.

## **Work with the sector to manage the impacts of deer, grey squirrels and invasive non-native species**

### Squirrels

Forestry Commission England signed the UK Squirrel Accord following its launch in May 2014. This was followed by publishing the updated grey squirrel control policy and action plan in December 2014, utilising the feedback from the stakeholder consultation of January 2014. The action plan detailed eleven key commitments to help achieve the shared goal of more effectively controlling grey squirrels.

### Deer

The effectiveness of our approach in relation to how we enable the sector to manage sustainable populations of deer has been reviewed.

FC has carried out the review, considered carefully the feedback from its informal consultation with the sector, discussed its thinking with the Deer Initiative Partnership and decided the approach it wishes to take:

- FC remains committed to reducing the negative impacts of deer on woodlands through increased coordination and landowner collaboration



- FC judges that a grant to Deer Initiative (DI) Ltd is a good way of achieving this and it will continue to fund DI Ltd in this way for 2015-16.
- However, due to evidence of increasing damage to woodland by some deer populations, continued pressure on budgets, and increasing need to demonstrate value for money, FC judges it is the right moment to run a competitive tendering process to test whether there is a better way. FC will do this during 2015-16, working closely with Natural England and Defra, with any new arrangements in place for 2016-17.

## **Work with the sector to increase the ecological resilience of woodlands and forests**

### Communicating the need for a wider range of species, restructuring and ecological adaptation.

Forestry Commission England has presented at events run by the Royal Forestry Society and others including the Royal Institute of Chartered Surveyors rural conference and the Association of Professional Foresters (APF) show. The theme of these talks has been diversity in stand structure, age, species and genetics within species.

The Royal Forestry Societies held their national excellence in forestry awards for England in 2014 for climate change adaptation. This attracted good entries from the private sector, but was won by the Public Forest Estate team from Thetford forest.

### Planting stock assurance scheme

We have worked in partnership with Defra and other government bodies to commission Agricultural Development and Advisory Service UK Ltd. to explore creating a labelling, accreditation and assurance scheme for the nursery sector. To ensure that the scheme is suitable to the needs of its stakeholders we are consulting with growers, grower groups, trade associations, retailers and organisations such as the Royal Horticultural Society and The National Trust.

### Adaptation Reporting Power and the National Adaptation Programme

As we prepare to review progress made in actions to address climate change adaptation by the end of 2015, significant progress has been made in the actions set out in our report from the first round of the Adaptation Reporting Power. The sector is now acutely aware of the need to adapt --- through our communication initiatives --- and we now see nurseries offering a wider choice of species for planting. The Public Forest Estate has continued to implement its Climate Change Action Plan and to diversify the species used for restocking. Climate change is embedded as a cross-cutting principle in the new woodland grants available through Countryside Stewardship, and the new research programmes that have been developed to deliver the Science and Innovation Strategy for British Forestry include woodland resilience as a dominant theme.

### Urban Adaption

We have worked with the Defra network to develop and disseminate the Local Environment and Economic Development (LEED) toolkit for use by Local Enterprise Partnerships (LEPs) and economic development partners. We continue to work and contribute towards the Green Infrastructure Partnership to disseminate information and latest research on the role of trees and woodlands in Green Infrastructure. We have supported our FWAC members with an interest in urban forestry by establishing an Urban FWAC Network.

### Contingency Planning

As part of building resilience within the Forestry Commission, we have worked with the Cabinet Office, Environment Agency, Animal and Plant Health Agency, Defra Emergency Planning Team and Chief Fire Officers Association to develop a contingency planning framework and flexible incident management system for non-plant health incidents such as catastrophic wind-blow, wildfires and animal health with the forestry sector.

To test our emerging resilience we have also undertaken two exercises in partnership with the Animal and Plant Health Agency, Defra and devolved administrations. These have helped us further assess areas of improvement.

Since the introduction of our new contingency planning framework, Forestry Commission England has stood by its incident management resources for three serious high wind events, including the St. Jude's Day Storm, and responded to several tree health outbreaks across England. The effectiveness of our responses highlighted the significant step change our new approach and training has made.

## **Improve**

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

We continued to support the production of Woodland Management plans with grant aid to ensure the comprehensive and long-term approach to forest management, approving management plans on 42,223 hectares of woodland in 2014-15.

#### Bringing more Woodlands into Sustainable Management Programme

Forest Services' Woodlands Into Management programme aims to deliver on our Improvement outcome through increasing economic development and biodiversity by bringing woodlands into sustainable forest management. We have developed strategic approaches to tackle each stage of making our woodlands work and deliver for people, nature and the economy: production, the supply chain and demand.

**Production:** our Practical Action Project uses a Forest Research methodology to identify and map woodlands that are un- or under-managed. A successful pilot in the South-West Area this year identified 15 cluster areas, each with a detailed action plan, to prioritise strategic action. The project is being rolled out to the other Forest Services Areas by end of May 2015. Assuming the wider roll-out attains similar success in other parts of the country, an estimated 7-14% increase in woodland in active management over the next three years could be achieved.

**Supply:** Our Area teams are leading a project helping forestry business to grow and expand through tailored business support and improved sector networks. The project, based on the highly successful Woodfuel East initiative, included a contract which has been competitively awarded to a consortium of nine external forestry organisations, a first in the sector. The consortium is providing a range of business, financial and technical support to businesses who wish to expand but lack the necessary paperwork skills to access funds. Forestry business around the country are preparing business plans to submit for the new RDPE economic grants. Some 1,900 businesses were contacted by the FC, with some 250 understood to be applying for Rural Development support.

**Demand:** Private sector investment is essential to achieving our ambitions and Woodfuel is currently the biggest driver. We achieved a major acceleration in uptake of the Woodfuel Woodland Improvement Grant in its final year, with demand exceeding the funds available.

Our indicators show that the area of privately owned woodland in active management increased from 55% in March 2014 to 58% in March 2015.

### 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 2014-15 was 88%, well above the 85% target. For Felling licenses (86%), Title 1 claims (98%) and Title 2 claims (96%) performance further exceeded this target, but for England Woodland Grant Scheme (EWGS) applications (75%) expected performance proved harder to achieve, falling below the Customer Charter target. This was to some extent expected given the surge in demand and nature of schemes remaining to be processed at the end of EWGS. Overall this reflects an increase in productivity in recent years despite simultaneous increases in the number of cases and reductions in administrative staff numbers.

### Priority Woodlands

During 2014-15 through we have increased the area of priority habitat under management by 23,000 hectares to 434,000 hectares. Some 47% of priority habitat is now under management, an increase of 2.6% since last year. We have continued to work with Natural England woodland specialists and Inventory Forecasting and Operational Support (IFOS) colleagues on developing the assessment protocol for favourable condition of woodland habitat based on the National Forest Inventory sample survey of woodlands. In addition we are also developing a site assessment protocol which has been field tested with stakeholder groups.

### English Woodland Grant Scheme

We have facilitated the allocation of £26m of England Woodland Grant Scheme funding to enable landowners to more sustainably manage over 316,000 ha of land. £32m was disbursed in total for management and creation.

### Woods for People — Accessible woodland database.

We continued to support the Woodland Trust in gathering and maintaining the Woods for People dataset on accessible woodland. This data will allow us to continue to measure the trend of access provision within our Indicator Framework.

### Green Economy

This year we prioritised the work of our Forestry and Woodlands Advisory Committees (FWACs) to focus on progressing local growth opportunities for forestry sector contributions. In particular, FWACs have helped to identify and develop a range of new initiatives and projects with Local Enterprise Partnerships (LEPs) and in connecting the priority for bringing more woodlands into productive management with the Regional Growth Fund investment opportunity. Following the £0.8m investment from the Coast to Capital LEP (Sussex), the Enterprise M3 LEP (Surrey and Hampshire) has announced a growth deal worth £2m to support the woodfuel supply chain. In the Southwest and West Midlands we have enabled Woodland Enterprise Zone initiatives, whilst in East of England we have supported a FWAC member to join the LEP European Structural and Investment Fund Committee and advocate the use of growth funds for a Green Infrastructure Investments project. To target the policy priority to bring undermanaged woodland into productive use we worked with the North West Forest Forum and Stobarts Biomass to advise on a new £5.7m Department of Business Innovation and Skills (BIS) Regional Growth Fund proposal.

We supported the launch of Roots to Prosperity, a partnership involving Confor; the UK Forest Products Association; Cumbria, Northumberland, Durham and North Yorkshire councils and the Forestry Commission. It has the objective of creating over 1,000 new jobs and generating £54m in Gross Value Added for the regional economy through unlocking the latent potential of our northern woodlands. As well as working with existing woodlands, the Partnership also has ambitions to expand the productive woodland resource in the North of England.

## Skills & Apprenticeships

### Apprenticeship scheme

Under the BIS-sponsored Apprenticeship Trailblazer programme, we have been working with partners from across the forestry, arboriculture, horticulture and landscaping fields to design new apprenticeship standards for our respective sectors. The standard will describe the skills, qualifications, behaviours and attributes that a successful apprentice will be expected to attain before entering the workforce.

The forestry sub-group has drafted a new standard, which will go out to wider consultation across the forestry sector in early May. The final version of the standard, alongside a plan which sets out how the standard will be trained and assessed, will then be submitted to BIS for approval and formal adoption in the Autumn.

## Expand

### Work with the sector to create more woodland

#### Grants for Woodland Creation

£15m of England Woodland Grant Scheme funding was allocated to the woodland creation grant enabling landowners to plant 1,782ha of new woodland and to support recently planted woodland. In addition, Natural England funded woodland planting through agri-environment measures of the Rural Development Programme for England, while the Woodland Trust provided funding through its 'Morewoods' initiative.

In future grants will be supported by the integrated Countryside Stewardship scheme which is being delivered by the Forestry Commission, Natural England and the Rural Payments Agency. Woodland Capital grants under Countryside Stewardship, including for woodland creation, opened for application in February 2015.

#### Targeted woodland creation for maximum benefit for the water environment.

We have worked closely with the Environment Agency to develop a national opportunity map to identify where woodland creation can offer maximum benefit for improving water quality and alleviating flood risk. That opportunity mapping has subsequently fed into the targeting framework for the Countryside Stewardship Woodland Creation Grant. It has also led to the emergence of an increasing number of catchment-based forestry and flooding initiatives around the country, working closely with both Environment Agency local teams and the Defra funded Catchment Based Approach community partnerships. Examples include a close local working partnership with the Ribble Rivers Trust catchment partnership in support of the Environment Agency's 'Keeping Rivers Cool' project; a developing woodland-focussed natural flood management project at Lustrum Beck as part of the flood defence capital investment scheme for Stockton; and a rural sustainable drainage project near Stroud where woody debris dams form a significant component of a wider natural flood management scheme for the town.

### Disputed case: Wallshield

In July the Forestry Commission gave an Opinion that the woodland creation scheme application at Wallshield in Northumberland did not require consent under the environmental impact assessment regulations that apply to forestry projects. In November, under its delegated authority, Forestry Commission's England National Committee (ENC) approved the application under our 'disputed case' procedure, meaning that the proposed planting there could receive grant aid. This is the first conifer woodland creation scheme in England in several years.

### Environmental Impact Assessment pilot project

Working with Natural England, Durham County Council, Environment Agency, The Confederation of Forest Industries (Confor) and the North Pennines Area of Outstanding Natural Beauty, we aim to establish whether evolving our approach to Environmental Impact Assessment for woodland creation could reduce barriers while still safeguarding the environment. Work is well underway on the project, focussing on how communication, best practice in woodland design, the provision of a strategic view on woodland creation and information sharing can help clarify understanding of both why, and in what situations, an EIA may be required. The project aims to conclude and provide recommendations during 2015-16. We have established the Woodland Carbon Task force as the reference group for the project, alongside its existing advisory and advocacy role on woodland creation and management.

### Grown In Britain

We continue to work with Grown in Britain to encourage the establishment of productive, economically viable woodlands and to test new ways of recording and reporting the range of services woodlands provide landowners and investors. Grown in Britain's first woodland was planted in 2014, in partnership with BWOC Ltd and Forest Carbon.

### The Big Tree Plant

This year we completed the Big Tree Plant: planting over 1 million trees in England, across 3,300 sites through awards to 160 community groups. About 75% are in urban areas, with half the trees in the third most deprived areas or those areas with the lowest green space. This cost the exchequer £3.7m, matched by pledges of almost £7m from community groups.

## **Cross-Border**

### **Resilience**

#### A Plant Biosecurity Strategy for Great Britain

The Forestry Commission worked with colleagues in Defra and the Welsh and Scottish Governments to agree the Plant Biosecurity Strategy for GB in April 2014. The strategy set out a shared long-term vision for biosecurity, tree health and resilience to pest and disease threats.

### Tree Health Management Plan

Defra and Forestry Commission's Tree Health Management Plan for England was published in May 2014. The plan sets out:

- An overall approach to tree health in England;
- Management approaches to tackle *Chalara*, *Phytophthora* and Oak Processionary Moth (OPM); and,
- A framework for managing future threats to tree health in England.

### Chalara dieback of Ash

As at 27 March 2015 there had been 1055 diseased sites confirmed in the UK (701 in England) with 434 at nursery and recently planted sites and 621 at locations in the wider environment (499 in England). During the year we continued survey work to establish a baseline for the known areas of infection. This confirmed 411 10 km grid squares with the infection (308 in England).

We worked with Defra and stakeholders to update the Chalara management plan for England which was published as part of the Tree Health Management Plan. We also continued to engage closely with stakeholder groups in Wales and Scotland.

We have worked with Defra and the devolved administrations to prepare and submit a UK position to the European Commission explaining the current disease status and the ongoing surveillance work to determine the extent of the infection in Great Britain and within the UK (England, Scotland, Wales, Northern Ireland, Jersey, Guernsey and the Isle of Man).

155,000 ash trees from 15 different seed zones were planted over 14 sites in East England in spring 2013 to test for genetic resistance. We anticipate that next year trees will start to die due to Chalara and by the 4th growing season we shall be more closely monitoring any trees that are showing signs of tolerance.

### Phytophthora

At January 2014 10,467 hectares (ha) of larch infected with *Phytophthora ramorum* had been identified in the UK as requiring felling. It was estimated that further action would be required to treat an additional 6,600 ha of larch for which felling had not been prescribed.

An update from the Forestry Commission 2014 programme of aerial surveys for symptoms of *P. ramorum* on larch trees in England was published in November. The aerial surveillance programme is undertaken in collaboration with Wales and Northern Ireland. The update report includes maps showing the surveillance flight tracks over all three countries, and of the woodland surveyed in England and Wales. During the year these aerial surveys included 16,691 ha of private larch woodland in England, 15,459 ha of Public Forest Estate larch woodland in England and overall covered 53% of all National Forest Inventory woodlands in England. The observations reported throughout the year were of limited, low-level symptoms mainly in the vicinity of previously confirmed infection or in association with infected rhododendron. Follow-up investigations of the small number of new areas infected confirmed the proximity of infected rhododendron.

In England 2014 has been a relatively modest year for *Phytophthora ramorum* with around an additional 147 sites (257 ha) of infected larch identified. Although some lower priority sites are still to be investigated this compares favourably to findings of 223 sites (800 ha) in 2013.

Work is also underway to combat *Phytophthora lateralis* and *Phytophthora austrocedrae*.

### Oak Processionary Moth (OPM) Control Programme

Since 2013, additional Defra resources have helped to fund an enhanced OPM control programme, to complement the collaborative OPM control being undertaken by affected landowners and managers.

Survey results for 2014 indicated an OPM infestation area approximately 50% greater than 2013, probably reflecting very favourable weather conditions. New areas where the moth has been found this year are Surrey, with Elmbridge and Spelthorne districts affected, Hillingdon, Harrow and Brent, and London Zoo in Regents Park, close to Camden Borough. These wider findings are not necessarily an indication of spread this year, and may reflect old infestations detected by the more extensive survey work.

The OPM control programme has been implemented as planned. We are confident that the control programme employed has limited the level of infestation and spread compared with continental situations where OPM is not routinely controlled.

### Legislative changes

The Plant Health (Forestry) (England and Scotland) Order 2005 was amended to implement recent changes to EU legislation. The amendment replaces national emergency legislation in regard to movement of plane, sweet chestnut and oak (OPM).

The UK is now a protected zone for the chestnut gall wasp, sweet chestnut blight, plane wilt and oak processionary moth. The new legislation for plane and sweet chestnut effectively bans the movement of planting stock to the UK unless it has been grown in and is accompanied by a plant passport from a pest-free area. The requirement for oak is less stringent but does require passport authorisation to declare that planting material is free from OPM. All three species are still covered by a statutory notification scheme that obliges importers to notify the Plant Health and Seeds Inspectorate when consignments of plants are due to arrive.

In addition to these new measures, the Bronze birch borer (*Agrilus anxius*) has been added as a new pest and new landing requirements have been introduced for trees and wood of birch from Canada and the USA. New strengthened measures were introduced in respect of the Emerald ash borer (*Agrilus planipennis*) and the pinewood nematode (*Bursaphelenchus xylophilus*).

### Additional Protected Zone (PZ) plots for conifer bark beetles (*Ips typographus*, *Ips amitinus* and *Ips duplicatus*)

There are 41 existing PZ plots (set up in the early 1990s) within GB for conifer bark beetles which are monitored annually to an agreed method. Annual submission of the monitoring results to the European Commission is a requirement for maintaining GB's PZ status. We managed to obtain additional funding for 2014 and 2015 to extend the number of plots. 44 new plots have been set up in spruce or pine woodland, using a more risk based approach than for the original plots. The new plots are located near ports, major sawmills or particle board manufacturers or close to road networks that link major areas of conifer woodland to processing sites. Confirmation has been received that none of the quarantine beetles listed above have been found.

### Import interceptions

Dunnage is wood used to wedge or support cargo during transport, which if not properly treated represents a potential plant health threat. The EU Plant Health Directive requires that all dunnage associated with imports from third countries (non-EU) must be subject to an appropriate phytosanitary treatment and marked according to international standards for wood packaging.

Significant interceptions have been made of shipments from Turkey, India, China and Ukraine. These included non-compliant packaging and in one case the presence of live pests. All intercepted dunnage was destroyed or

re-exported under notice and at the cost of the importer. Representation has been made to the National Plant Protection Organisations of the third countries concerned. Increased numbers of pheromone traps have been sited at the ports and are being monitored to check for any insect presence.

Intelligence from some port authorities has enabled the tracking of future shipments en-route, ensuring they can be met at port. Overall interceptions are around three-fold higher than last year.

## Evidence

### Science and Innovation Strategy

Full details of the research delivered in 2014 can be found in our annual research report on the FC website research pages. 88 publications were produced, of which almost half were in peer reviewed journals. These complement many other presentations at conferences, seminars and stakeholder awareness events. Through partnerships and collaboration we achieved 41% leverage from our core funding.

Following the publication of the new Science and Innovation Strategy for Forestry in Great Britain, we worked to determine the research questions to be answered under the strategy and have developed a series of new interdisciplinary research programmes to meet the majority of our requirements.

### Forestry Statistics

We produced a number of National Statistics and Official Statistics releases in 2014-15. These included our comprehensive web-based compendium of statistics on forestry, "Forestry Statistics 2014", and the accompanying hard copy leaflet "Forestry Facts & Figures 2014".

### The National Forest Inventory

The National Forest Inventory is a multi-purpose programme to provide accurate, up-to-date information about the size, distribution, composition and condition of our forests and woodlands. The field survey programme of representative one hectare squares is used to refine map-based estimates of woodland area and to collect detailed information on species, age, size, management and a range of other parameters. Approximately 3,000 squares are surveyed each year.

The current inventory cycle will be completed in spring 2015 and the main interim results were published during 2013-14. Work undertaken in 14-15 includes:

- Publication of interim outputs and demand-driven bespoke reports, including "A Survey of the impact of the 2013 St. Jude's day storm on woodland in Southern England", "Biomass in Live Woodland Trees in Britain", "Carbon in Live Woodland Trees in Britain" and "An Evaluation of Alternative Harvesting and Afforestation Scenarios on British Softwood Timber Availability".
- Methodological development for habitat condition and social use reporting in 2015-16
- Methodological development and tender preparation for second cycle survey commencing spring 2015



## Standards

### UK Forestry Standard (UKFS) and Guidelines

In support of the UKFS, we published the Practice Guides “Building Wildfire Resilience into Forest Management Planning”, “Managing Forests in Acid-sensitive Water Catchments”, “Design Techniques for Forest Management Planning” and “Managing Open Habitats in Upland Forests”. Work commenced on further practice guides in relation to water and forestry: forest operations, flood plain management, and riparian woods.

We have continued to work with colleagues across the FC and the forestry sector to support the development of bioenergy sustainability criteria that will ensure energy policy delivers carbon savings and does not damage forests or other land uses.

In the light of increasingly extreme weather, we have also undertaken an assessment of the scope for a common fire hazard warning system across the UK.

### Woodland Carbon Code

As of 31st March 2015, 199 projects are registered with the Woodland Carbon Code. Significant progress has been achieved in verification, with 100 projects now validated compared with 67 in March 2014. Registered projects represent an area of 15,385 ha and will sequester 5.7 million tonnes CO<sub>2</sub> over their lifetime.

The Woodland Carbon Code was awarded third place in the Environmental Finance Global Carbon Market Survey 2014 in the 'Best Voluntary Carbon Standard' category and was also a finalist in the Climate Week 2014 awards in the 'Best Initiative from government and public services' category.

## Other significant work and events

### **Rural Development Programme in England**

#### Countryside Stewardship:

Countryside Stewardship provides incentives for land managers to look after their environment. From 2015 it will be open to all eligible farmers, woodland owners, foresters and other land managers through a competitive application process. The scheme will be jointly run by Natural England, Forestry Commission England and the Rural Payments Agency on behalf of Defra.

Extensive work with the sector, the European Commission, Defra, Natural England and Rural Payments Agency colleagues ensured that in February 2015 the first Countryside Stewardship grants to open for applications included the 2015 Woodland Capital Grants. These prioritise support for activity in 2015 to cover:

- Creating and maintaining new woodland for biodiversity and water benefits including flooding;
- Woodland management plans;
- Tree health

The Forestry Commission is now open for applications for these Woodland capital grants.

The rest of the Countryside Stewardship Scheme is expected to launch in July 2015 including multi-annual and capital support for woodland improvement to improve the biodiversity of woodland, address water issues or make it more resilient to climate change.

### Countryside Productivity:

- The Countryside Productivity Scheme is also now available, providing funding for small scale forestry processing and wood harvesting and extraction.

### Rural Payments

- We have worked with the CAP Delivery Programme, Natural England, and Rural Payments Agency to secure the Rural Payments IT functionality to deliver Countryside Stewardship.

In light of these changes and following consultation, FS decided that it will reduce the number of administrative hubs from 5 to 2 by April 2018. These hubs will be located in Exeter (Bullers Hill) and Farnham (Bucks Horn Oak). FS plans to close the York hub in June 2015 as the Countryside Stewardship transactional function is set up under interim arrangements in Natural England prior to it being established in Rural Payments Agency. It plans to close the Worcester hub in January 2016 as the current Worcester site is vacated by Defra and the Santon Downham hub at end 2017-18. There will also be a small net reduction in national office posts.

### **International Forestry**

The Forestry Commission provided support to Defra for their lead in international forestry policy through policy advice, through representing the UK at a range of international fora with a high technical content, and by sharing our forestry expertise with the international community.

### **Internal reform**

We have taken forward organisational development and reform in Forestry Commission England and Central Services including continuing the devolution of services.

### **The Public Bodies (Abolition of the Home Grown Timber Advisory Committee) Order 2015**

The Home Grown Timber Advisory Committee was abolished during the year using the powers in the Public Bodies Act (PBA) 2011.

### **Forestry and Woodland Advisory Committees**

Our Regional Advisory Committees continue to establish themselves under their refreshed remit and working title of Forestry and Woodland Advisory Committees. The Committees produced a co-authored annual report which shows the broad 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).

## **Forestry Commission Staff support**

### **People**

The Forestry Commission's People Strategy sets out the strategic direction in relation to our people. 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:

- embedded a revised performance management system including individual learning plans and incorporating the Civil Service Competency Framework
- begun launching our refreshed FC values which have greater emphasis on safety and diversity, as well as being explicitly linked to the Civil Service values.
- initiated new Trade Union facility time arrangements which take into account the principles of the Cabinet Office central framework
- revised our homeworking and whistleblowing policies as well as conducting a review of operational pay
- revised our Staff Council constitution

### **Learning & Development (L&D)**

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

We have been successful in achieving Institute of Leadership and Management accreditation for our front line manager development programme with a significant number of staff indicating a desire to work towards the qualification.

We have continued to deliver safety training to industry managers and main contractors on behalf of the Forestry Industry Safety Accord (FISA) as well as launching new safety training for our own managers and staff.

We conducted a review of the technical training delivery model to ensure that we have a robust and sustainable means of delivery; the agreed recommendations will be taken forward during 2015-16.

### **Equality and Diversity**

Equality and Diversity continues to be a high priority for the organisation. All legal obligations were met by the required deadlines. Our annual Monitoring Report included information on the progress made to achieve our published objectives

This report considers access to and impact of policies, process and procedures in relation to recruitment, promotion, and training on different protected characteristic groups, specifically including people with and who acquire a disability. This ensures the organisation continues to provide reasonable adjustments to current and potential staff, as set out in our People Matters guidance. The FC engages our Occupational Health providers when advice and guidance is required on dealing with specific employee health and/or disability issues.

We published new internal communications materials and an updated version of the booklet 'Diverse woodlands, diverse communities', developed a tailored pilot training exercise on Unconscious Bias training and promoted the FC as an employer and a recreation provider in the disabled and BAME lifestyle printed media.

### **Pay & Recognition**

Our October 2014 pay award was the second to reflect the Government's 1% cap on the percentage increase to paybill. All staff received a modest increase, and we continue to shorten paybands and address anomalies.

An Equal Pay Audit was completed in 2014. The audit showed very significant progress in tackling pay gaps and analysed the reasons for the remaining, smaller gaps. The audit established that there was no discrimination but did make a number of recommendations in relation to pay, overtime and allowances. Some of the actions involve improving processes, documentation or guidance and others are being incorporated into the next 3 year Pay & Reward strategy which will be launched in 2015.

## Safety, Health & Environment

Our vision is that everyone working with the Forestry Commission remains safe and well and our woodlands are safe and enjoyable places to visit.

Our Health and Safety Strategy was published last year and since then teams from across the Forestry Commission have fed back their thoughts on how we could manage health and safety better. We have used this feedback to inform local and organisational Safety Action Plans.

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.

### Accidents

The following figures set out the incidence of reportable accidents (those causing incapacity for more than 7 days) in 2014-15 and the preceding years:

Year	RIDDOR Accidents per 100 employees	
	Forestry Commission	FC England
2014-15	0.63	0.63
2013-14	0.44	0.46
2012-13	0.71	1.21

### 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.

### Sickness absence

Year	Working days lost per staff year	
	Forestry Commission	FC England
2014-15	6.9	6.0
2013-14	5.6	5.6
2012-13	4.7	4.6

## Review of Tax Arrangements of Public Sector Employees

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 is reported below for consistency with Defra's annual report and accounts.

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

	Forestry Commission
<b>31 March 2015</b>	10
<b>Of which...</b>	
No. that have existed for less than one year at time of reporting.	4
No. that have existed for between one and two years at time of reporting.	0
No. that have existed for between two and three years at time of reporting.	0
No. that have existed for between three and four years at time of reporting.	4
No. that have existed for four or more years at time of reporting.	2
<b>Total</b>	<b>10</b>

**Table 2: For all new off-payroll engagements between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than six months.**

	Forestry Commission
<b>No. of new engagements between 1 April 2014 and 31 March 2015</b>	4
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	0
No. for whom assurance has been requested	4
<b>Of which...</b>	
No. for whom assurance has been received	3
No. for whom assurance has not been received	0
No. that have been terminated as a result of assurance not being received or ended before assurance was received.	1
<b>Total</b>	<b>4</b>

All board members are on the payroll and as far as contractors are concerned our Procurement team is considering the issues and how best to move individuals to the 2013 Frameworks. In the meantime, all the contractors involved have given verbal assurances that they will comply with our requests in 2015-16.

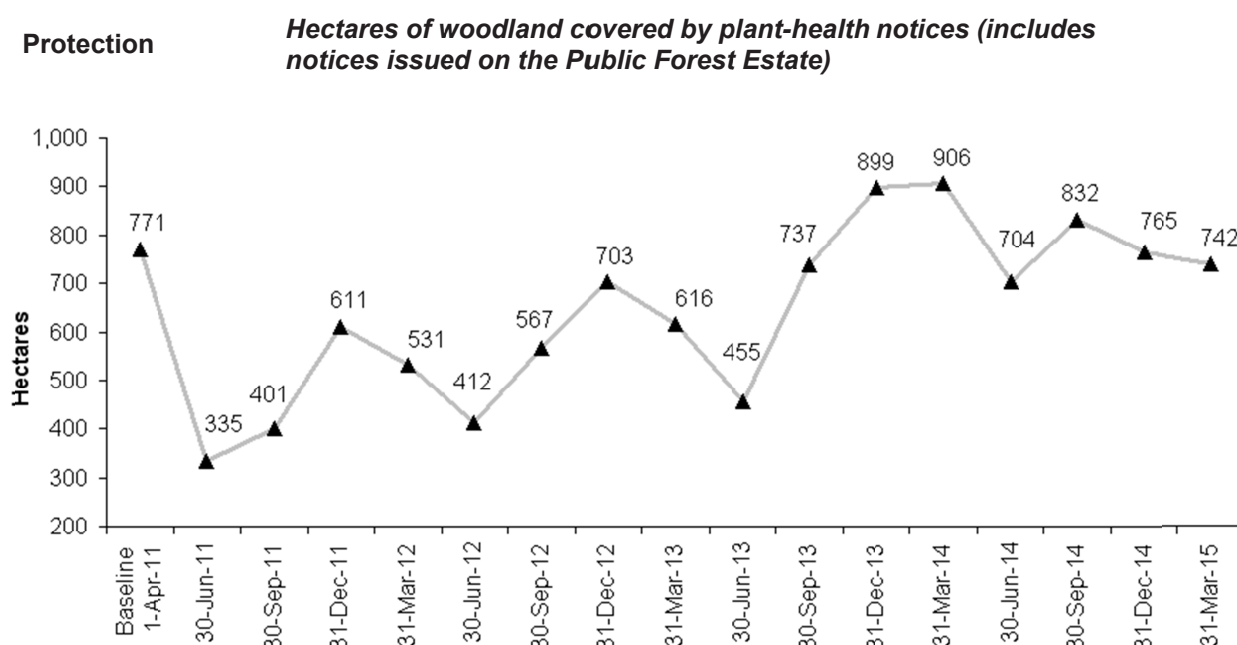
## FORESTRY COMMISSION ENGLAND KEY PERFORMANCE INDICATORS 2011-15

### HEADLINE PERFORMANCE REPORT AT 31 MARCH 2015

Forestry Commission England's Corporate Plan 2011-15 set out our key performance Indicators to show our contribution towards making English woodland more resilient. The indicators are also covered in our more recent Corporate Plan 2014-15.

Our Indicators Report 2014 provided our third annual monitoring report on all the Indicators.

This section provides the 2014-15 year-end position on our six headline performance indicators. It reflects our key priorities of working with the forestry sector to Protect, Improve and Expand England's woodland, as set out in the Government Forestry and Woodlands Policy Statement (January 2013) and with the progress reported in the Forestry and Woodlands Policy Statement Implementation Plan - One Year On (January 2014).

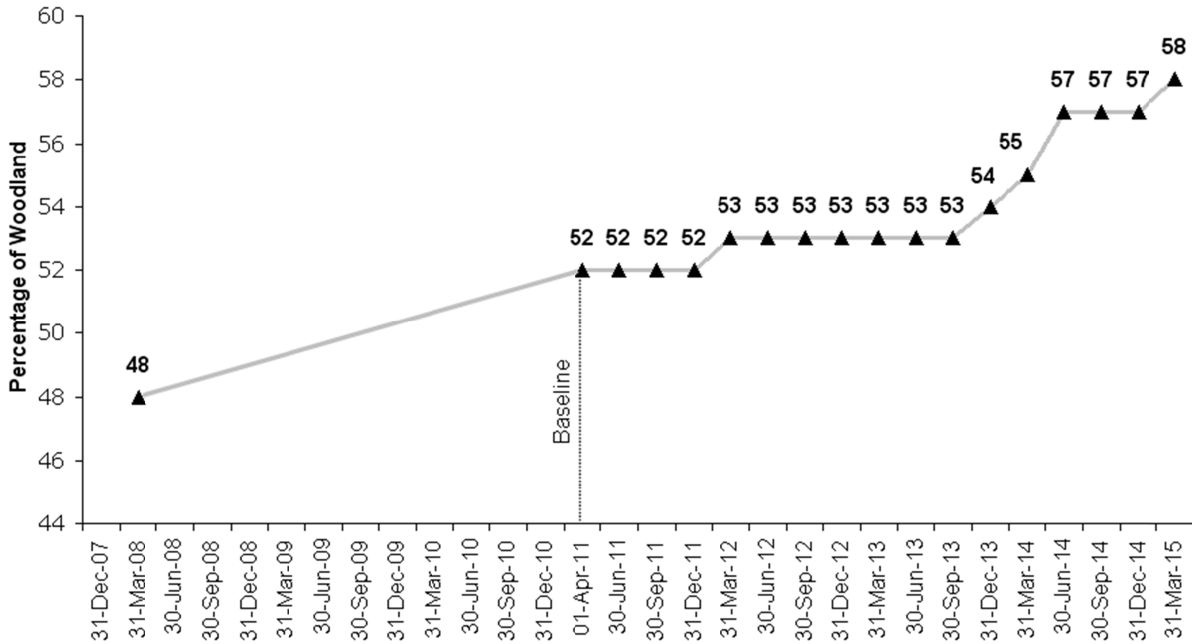


Position at 31 March 2015: 742 hectares of land requiring treatment.

With no additional findings and increased clearance activity in the period there has been a small reduction in the net area of Statutory Plant Health Notices (SPHN) outstanding.

Figures for ash dieback (*Chalara fraxinea*) are not included in this key performance indicator (KPI) report due to Statutory Plant Health Notices not being issued for this.

**Improvement**      *Percentage of woodland in active management  
(including the Public Forest Estate)*

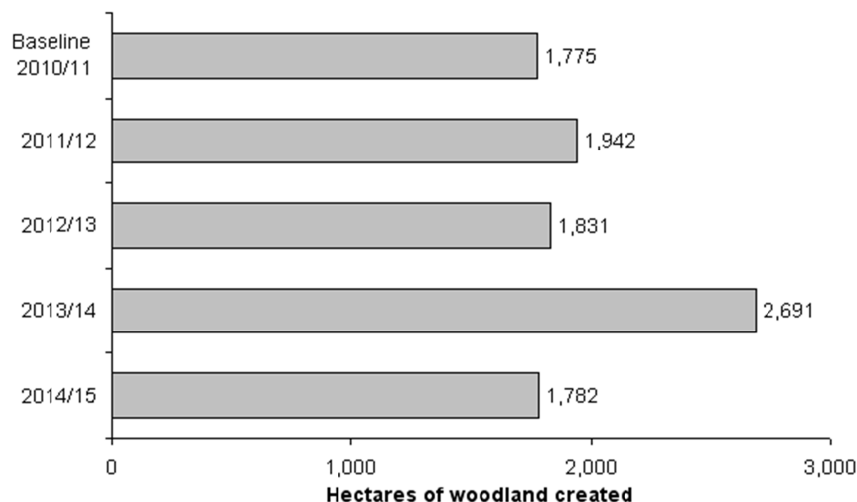


Position at 31 March 2015: 58%.

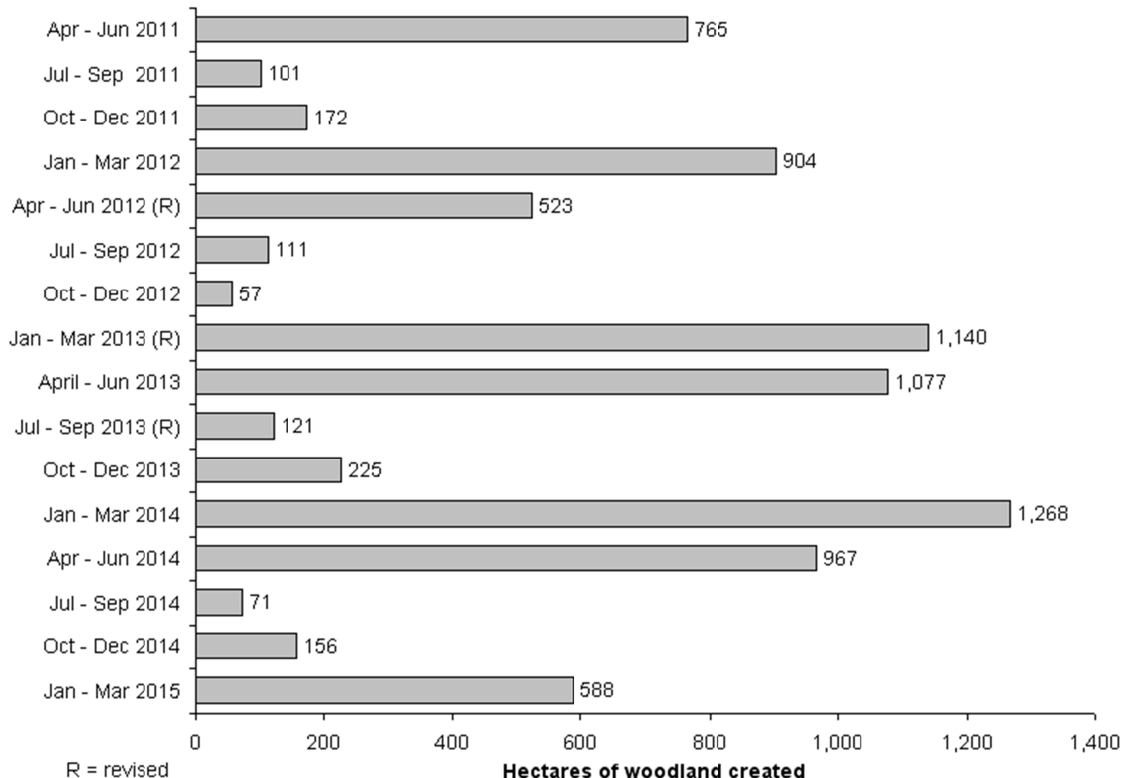
The percentage of woodland in active management has gradually increased since the April 2011 baseline (52%) and has increased since the last quarterly measure. This indicator of woodland in management includes woodlands where there has been Forestry Commission England grant or felling licence activity typically in the previous 15 years – it is recognised that other woodlands might be considered as managed as well.

**Expansion                      Hectares of woodland created (gross)**

**Annual achievement**



**Quarterly achievement**

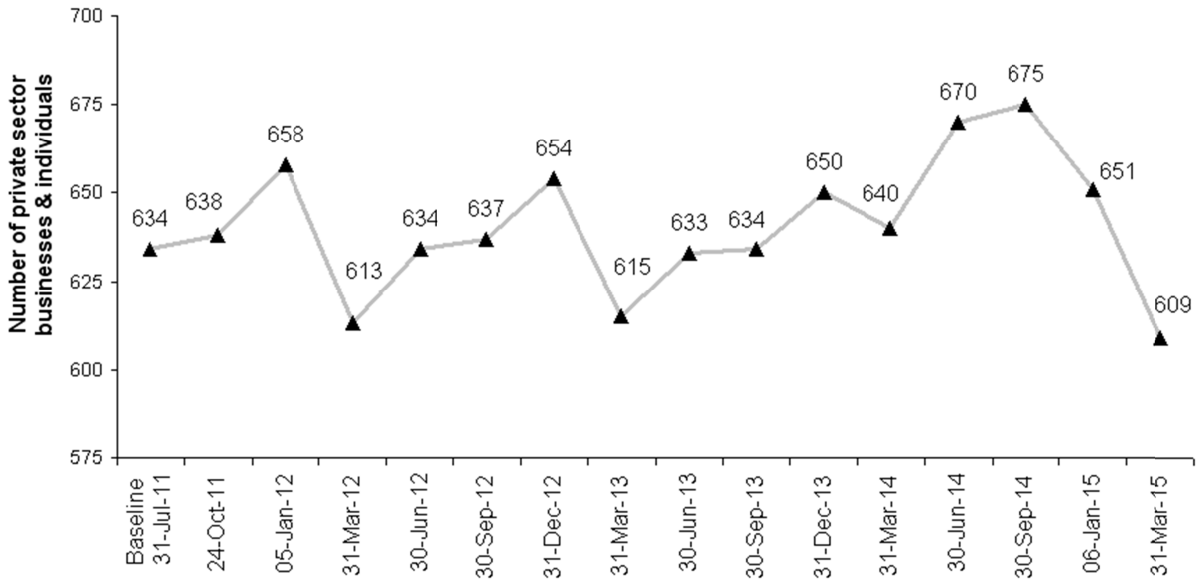


Report for year 2014-15: 1,782 hectares of woodland created, of which some 588 hectares were created during January to March 2015. This annual total of 1,782 hectares created for 2014-15 is in line with the 2010/11 baseline but is a readjustment from the exceptionally strong performance of 2013-14. 2014-15 is the last full year of the English Woodland Grant Scheme before the start of the new Rural Development Programme and Countryside Stewardship. This indicator shows only woodland creation funded through the English Woodland Grant Scheme (EWGS). There may be additional woodland creation through other means. Our Area of Woodland indicator includes such woodland creation.



**Improvement**

**Number of private sector businesses operating on the Public Forest Estate**

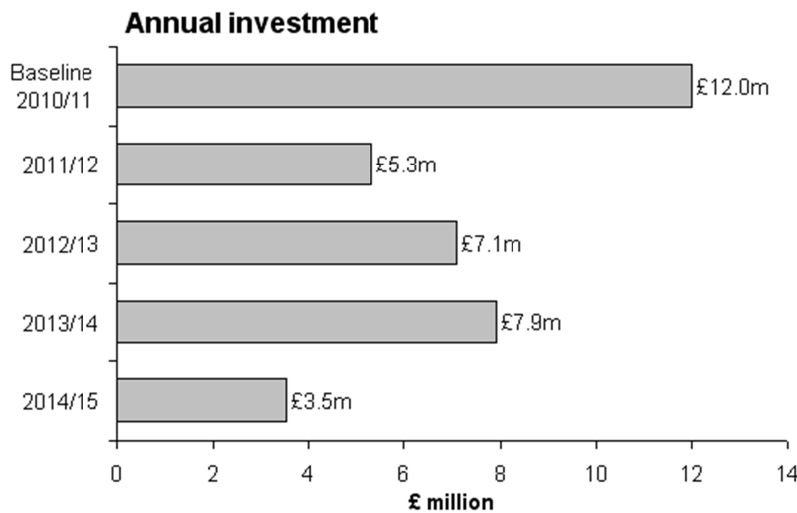


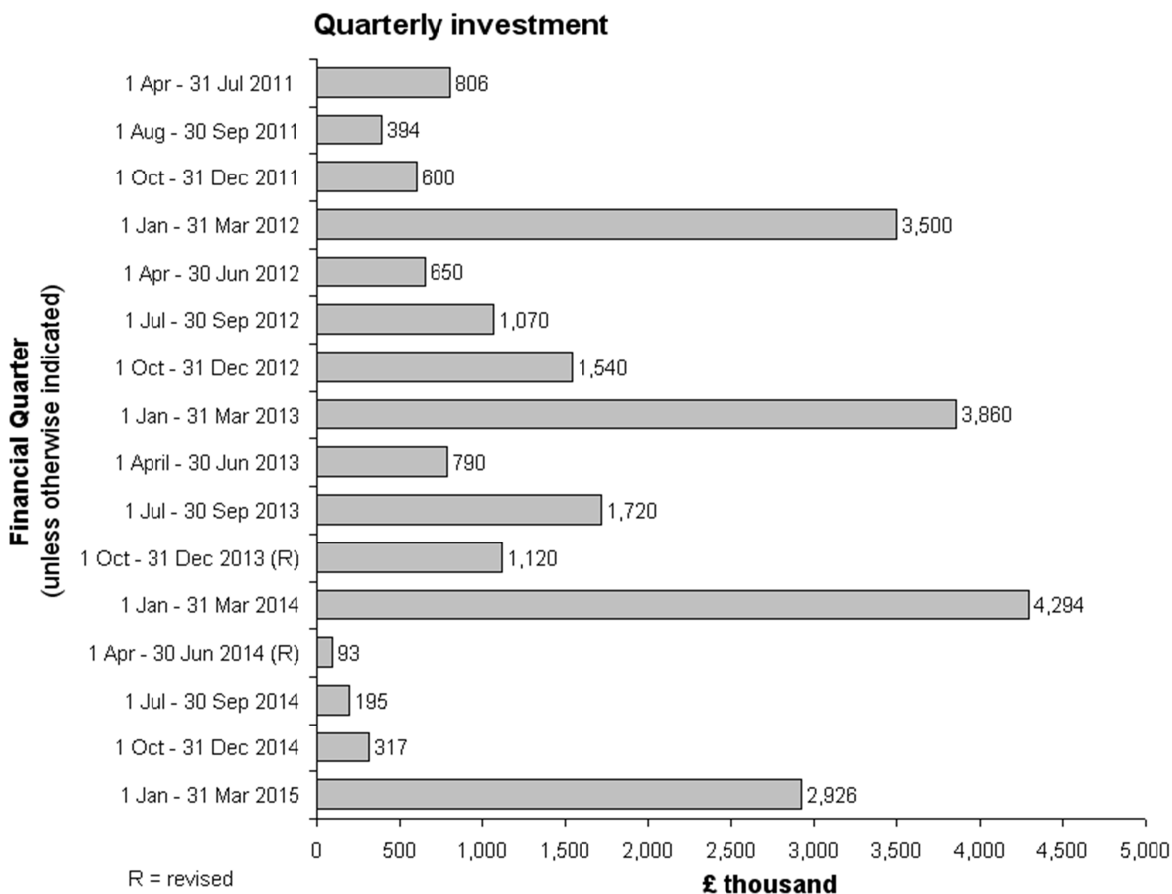
Position at 31 March 2015: 609 private businesses and individuals.

This indicator has consistently identified seasonal variation with an underlying trend of improvement in the overall number of businesses operating on the Public Forest Estate. The March 2015 measure has recorded an increased and unexpected reduction in the normal pattern. Specific reductions have been seen in the category of individual Licences and Permissions, especially sporting agreements which ended in January 2015 and have yet to be renewed. These are low turnover operations with minimal impact on jobs and the rural economy.

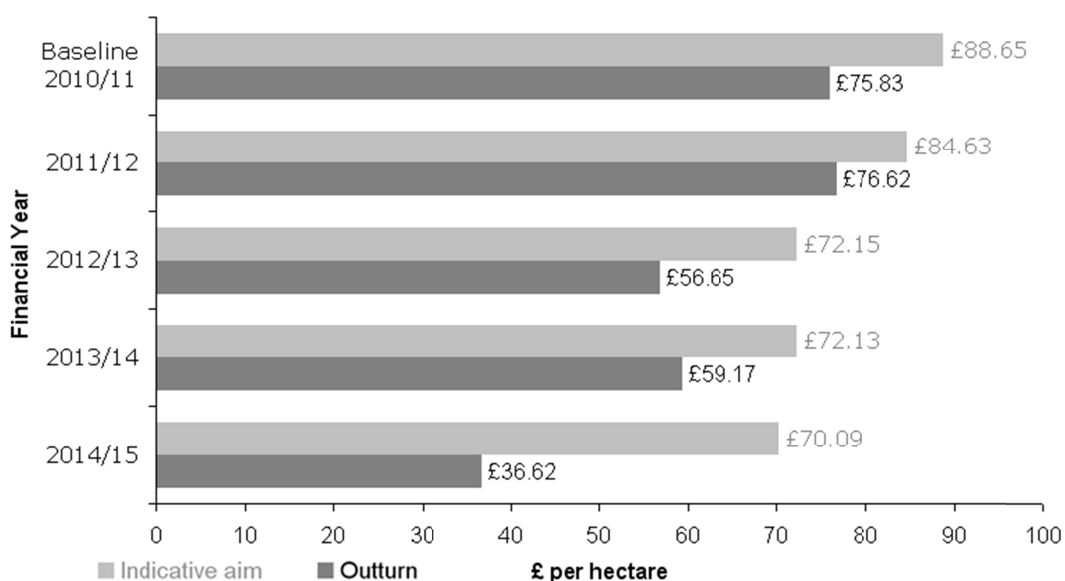
**Improvement**

**Cash spent on partnerships and engagement by Forest Services**





Position at 31 March 2015: £3.531 million invested. The main areas of investment this year were the Newlands 2 Project (£1.2m), the London Mayor’s Street Trees Initiative (£738k), the final year of the Big Tree Plant (£930k), managing sustainable deer populations (£239k), a Forestry Productivity Initiative (£159k) to develop sector capacity to benefit from business support funding and the Forestry Skills Initiative (£75k). Other investments have included Grown in Britain (£35k), Atlantic Gateway (£10k), Ward Forester (£10k) and the support for the Timber Transport Forum (£2k).

**Restructuring our Business****Cost of managing the Public Forest Estate (per hectare)**

Forecast performance is better than plan as Forest Enterprise England is forecasting a net operating cost of £9.2m against a plan cost of £17.8m. The forecast net operating cost is lower than plan due to current trading conditions.

The forecast figure of £36.62 per hectare for 2014-15 is better than the 2013-14 outturn figure as a result of the current trading conditions relative to 2013-14.

The nature of our headline indicators and the design of the wider full suite of Indicators were revisited in 2014-15 with a view to making any amendments necessary for 2015-16 onwards. Reports for our other Corporate Plan performance indicators are available from the indicators page of the Forestry Commission England website at [www.forestry.gov.uk](http://www.forestry.gov.uk).

Source: These Forestry Commission England key performance indicators are based on our administrative data. The outturns against these indicators have been verified by Internal Audit at the Forestry Commission.

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

4 June 2015

# **Forestry Commission England/Central Services**

## **Annual Accounts 2014-15**

## DIRECTORS' REPORT

### Basis of accounts

The Forestry Commission England/Central Services Accounts are prepared in accordance with a direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

### Financial Review

Resources to fund our activities in England and our Cross Border functions come from Defra, from regional agencies, from the European Union, from Local Authorities, from some Non-Governmental organisations and from income from the public forest estate managed by Forest Enterprise England.

Funding for Forestry Commission England/Central Services was decided as part of SR10. The planned sources of income and expenditure up to 2014-15 are shown in the latest Corporate Plans for England, Forest Research and for Cross Border activities.

In addition to the expenditure shown in our accounts, Forestry Commission England manages grant schemes on behalf of Defra. These schemes total a further £34.8m (2013-14 £31.9m) 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:

	2014-15				Outturn comparison to budget
	Net Budget total	Gross Expenditure	Income	Net Total	
	£000	£000	£000	£000	£000
Resource Departmental Expenditure Limit (RDEL)	38,799	63,954	(25,604)	38,350	(449)
Resource Annually Managed Expenditure (AME)	(932)	(457)	-	(457)	475
<b>Total resource outturn</b>	<b>37,867</b>	<b>63,497</b>	<b>(25,604)</b>	<b>37,893</b>	<b>26</b>
Capital Department Expenditure Limit (CDEL)	427	454	-	454	27
<b>Total capital outturn</b>	<b>427</b>	<b>454</b>	<b>-</b>	<b>454</b>	<b>27</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, whilst the small CDEL overspend reflects enhancements on the Grants and Licences Online System (GLOS) required to meet CAP-D requirements.

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

### Other Disclosures

#### 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 2014-15 indicates that 99.0% of invoices paid by Forestry Commission Central Services, 99.7% of invoices paid by Forestry Commission England and 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.

### **Pensions**

Information on pensions is contained in the Remuneration Report and accounting policy note 1.5.

### **Significant interests held by Board members**

Details of company directorships and other significant interests held by Board members are included within the register of interests maintained by the Forestry Commission and published on our website [www.forestry.gov.uk](http://www.forestry.gov.uk). Related party transactions are separately disclosed within note 21.

### **Personal data related incidents**

There was 1 protected personal data related incident reported for Forestry Commission England/Central Services in 2014-15 (2013-14 nil). Forestry Commission England/Central Services will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvement of its systems. Further information on the handling of information risk is contained in the Governance Statement.

### **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 £48,000 (2013-14: £50,000). In addition, the notional fee for the audit of the Forest Research Agency was £35,000 (2013-14: £29,000). No fees were charged for other services (2013-14: 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.

*I Gambles*

Additional Accounting Officer  
Forestry Commission  
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4 June 2015

## REMUNERATION REPORT

### 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 Scotland, Director England, Director Central Services and one other non-executive Commissioner.

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).
- 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.

### Employment contracts

Civil Service appointments are made in accordance with the Civil Service Commission Recruitment Principles, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Unless otherwise stated below, the senior staff covered in 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. 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>
Sir Harry Studholme	10/02/2014	22
Clive Tucker	08/07/2013	15
Hamish Macleod	01/04/2012	0
Amanda Bryan	30/07/2012	4
William Weston	31/03/2012	0
Keith Oates	01/04/2013	12
Mark Pountain	03/02/2015	34
Mary Barkham	01/11/2014	31
Sarah Hendry	N/A	N/A**

\* months remaining from 31 March 2015.

\*\* Sarah Hendry, Director Defra member of the National Committee for England during 2014-15, is employed by Defra.

## Salary and pension entitlements (information subject to audit)

The salary and pension entitlements of the civil servants who are members of the Forestry Commission Executive Board, the National Committee for England and the England Executive Board were as follows:

Single total figure of remuneration										
	Salary		Bonus payments		Benefits in kind (to nearest £100)		Pension Benefits		Total	
	£'000	£'000	£'000	£'000	£	£	£'000	£'000	£'000	£'000
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Ian Gambles	105-110	105-110	-	-	-	-	27	29	135-140	135-140
Jean Lindsay	95-100	90-95	5-10	-	-	-	19	72	120-125	165-170
Paul Snaith	25-30 <sup>1</sup>	70-75	-	-	-	-	28	3	55-60	75-80
Wilma Harper	70-75	70-75	-	-	-	-	29	16	100-105	85-90
Richard Greenhous	65-70	65-70	5-10	5-10	-	-	13	13	90-95	90-95
Simon Hodgson	80-85	80-85	5-10	-	-	-	35	(3)	125-130	75-80
James Pendlebury	70-75	70-75	-	-	3,300	3,000	16	12	90-95	85-90
Steve Meeks	70-75	65-70	-	-	-	-	40	(1)	110-115	65-70
Andrew Smith	-	65-70	-	-	-	-	-	4	-	70-75
Dominic Driver	60-65	0	-	-	-	-	22	-	80-85	-
Mark Funnell	60-65	60-65	-	-	-	-	24	25	85-90	85-90
Sarah England	55-60	55-60	-	-	2,200	1,700	9	(20)	70-75	40-45
PK Khaira-Creswell	45-50 <sup>2</sup>	45-50	-	-	-	-	10	8	55-60	55-60
Richard Barker	25-30 <sup>3</sup>	0	-	-	-	-	24	-	50-55	0

<sup>1</sup> Figure quoted is for the period 1 April 2014 to 15 August 2014 whilst Finance Director Central Services. The full year equivalent is 70 - 75.

<sup>2</sup> 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.

<sup>3</sup> 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.

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 Bob McIntosh, Director Scotland, an Executive Forestry Commissioner, are borne and disclosed in the Forestry Commission Scotland Annual Report and Accounts 2014-15 as he is Director, Forestry Commission Scotland.

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 agency's Annual Report and Accounts 2014-15.

## Salary

'Salary' includes basic salary; overtime and any allowances 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.

## Highest paid Director and median salary cost disclosure

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 2014-15 was £105,000 - £110,000 (2013-14, £105,000 - £110,000). This was 3.59 times (2013-14, 3.55) the median remuneration of the workforce, which was £30,463 (2013-14, £30,441). In 2014-15, no (2013-14, nil) employees received remuneration in excess of the highest-paid director.

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

### Pension benefits (information subject to audit)

	Accrued pension at pension age at 31 March 2015 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2015	CETV at 31 March 2014*	Real increase (decrease) in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	to nearest £100
Ian Gambles	5-10 plus (0-5) LS	0-2.5 plus (0-2.5) LS	156	123	19	-
Jean Lindsay	35-40 plus 110-115 LS	0-2.5 plus 2.5-5 LS	718	668	15	-
Paul Snaith	45-50 plus (0-5) LS	0-2.5 plus (0-2.5) LS	988	926	27	-
Wilma Harper	40-45 plus (0-5) LS	0-2.5 plus (0-2.5) LS	827	761	28	-
Richard Greenhous	10-15 plus 35-40 LS	0-2.5 plus 0-2.5 LS	159	144	5	-
Simon Hodgson	25-30 plus 80-85 LS	0-2.5 plus 5-7.5 LS	604	541	34	-
James Pendlebury	10-15 plus 35-40 LS	0-2.5 plus 2.5-5 LS	253	226	13	-
Steve Meeks	30-35 plus 95-100 LS	0-2.5 plus 5-7.5 LS	599	539	32	-
Dominic Driver	10-15 plus 30-35 LS	0-2.5 plus 2.5-5 LS	168	144	14	-
Mark Funnell	5-10 plus (0-5) LS	0-2.5 plus (0-2.5) LS	54	37	8	-
Sarah England	20-25 plus 60-65 LS	0-2.5 plus 0-2.5 LS	333	312	5	-
PK Khaira-Creswell	5-10 plus 20-25 LS	0-2.5 plus 0-2.5 LS	92	82	4	-
Richard Barker	15-20 plus 45-50 LS	0-2.5 plus 2.5-5 LS	323	291	20	-

\*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

### Civil Service Pensions

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

For 2014-15 employee contributions are set as follows:

Annual pensionable earnings	Classic contribution rate before tax relief	Premium, nuvos and classic plus contribution rates before tax relief
(full-time equivalent basis)		
Up to £15,000	1.50	3.50
£15,001 - £21,000	3.00	5.00
£21,001 - £30,000	4.48	6.48
£30,001 - £50,000	5.27	7.27
£50,001 - £60,000	6.06	8.06
Over £60,000	6.85	8.85

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

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

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of **classic**, **premium**, **classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

### 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 (information 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 2015.

	2014-15		2013-14	
	Fees £'000	Expenses £'000	Fees £'000	Expenses £'000
Sir Harry Studholme	24	3	23	1
Clive Tucker	5	-	4	-
Hamish Macleod	16	1	16	1
Amanda Bryan	10	1	10	1
William Weston	4	1	5	3
Keith Oates	11	1	11	2
Mark Pountain	1	-	-	-
Mary Barkham	5	-	-	-
Sarah Hendry	N/A*	N/A*	N/A*	N/A*

\*Sarah Hendry, Director Defra, a member of the National Committee for England during 2014-15, is employed by Defra and does not receive any additional remuneration from Forestry Commission England.

*I Gambles*  
Additional Accounting Officer

4 June 2015

## **STATEMENT OF RESPONSIBILITIES OF THE FORESTRY COMMISSION AND THE ACCOUNTING OFFICER**

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 Agency) 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

### 1. 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*.

In discharging this overall responsibility, I am responsible for putting in place appropriate arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes ensuring a sound system of control is maintained through the year and that arrangements are in place for the management of risk.

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.

### 2. 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 for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### 3. The Governance Framework

The Forestry Act 1967 (as amended) and the Forestry Act 1979 set out the principal legislative framework within which the FC 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. From April 2013, the duties and functions in the Forestry Acts are exercised in Wales by the Welsh Government and Natural Resources Wales. 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.

Although the vast majority of FC functions are now devolved, by agreement of Ministers in the three countries, certain functions and responsibilities are delivered on a GB-wide basis. This includes the work of its Agency, Forest Research.

Director Central Services is responsible for the oversight and leadership of these cross border and shared service functions and driving forward continued evolution and review of these services.

#### Relationship with Defra and the wider Defra Network

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

Owen Paterson MP, Secretary of State to 14 July 2014.

Elizabeth Truss MP, Secretary of State from 15 July 2014.

Dan Rogerson MP, Parliamentary Under Secretary of State

Lord de Mauley, Parliamentary Under Secretary of State

Various meetings were held with the Secretary of State and other Ministers by the Forestry Commission Chair, and other FC senior staff throughout 2014-15.

An agreement, 'Working Together: Defra and the Forestry Commission', sets out a framework for the Forestry Commission in England and Defra to work together to develop and deliver forestry policy. It is a statement of the principles which guide relations between the Forestry Commission and Defra to ensure sufficient communication and co-ordination to enable each to discharge their respective responsibilities effectively and efficiently. The agreement was revised in 2014 to reflect the announcement made in January 2014 with regard to the Independent Review commissioned in respect of the Public Forests: 'Having carefully considered the options and the views received on the review's conclusions, Ministers have decided that the Government's key Forestry Functions will continue to be delivered by the Forestry Commission; with enhanced working arrangements between Defra and the Commission at all levels to strengthen integration between policy and delivery.'

The enhanced working relationship includes:

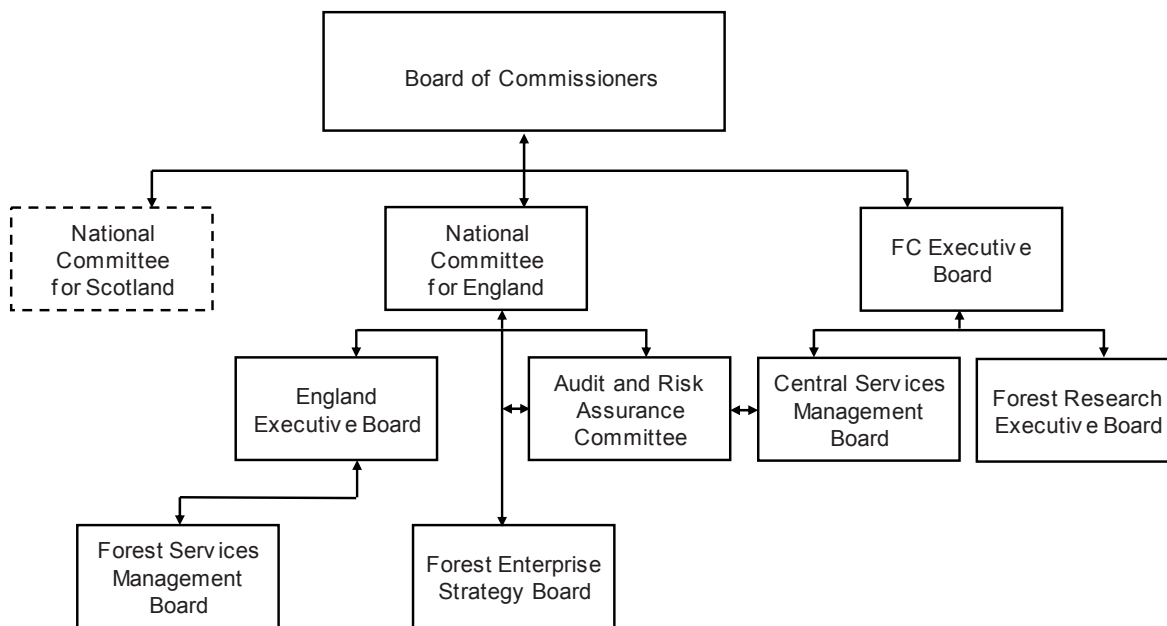
- a shared policy programme, with progress reported to the FC England National Committee; and,
- formal six-monthly meetings between FC Chair and Ministers to monitor performance in relation to Corporate/Business Plans approved by Ministers.

Formal quarterly 'Forestry Strategy and Finance' meetings are held between senior Forestry Commission and Defra officials. Defra officials attend in support of their Principal Accounting Officer and to maintain oversight of sound management of the Defra funding provided to the FC. In year financial and corporate reporting is provided to the Defra Supervisory Board.

The Forestry Commission forms part of closer working arrangements between the Defra network agencies to achieve better outcomes for the environment while enabling sustainable growth and to provide better customer service to partners in local government and to Local Enterprise Partnerships (LEPs). The Defra network achieves this by working together, where required, on engagement with Government growth initiatives such as LEPs' Growth Deals, and with Local Nature Partnerships, to support local growth initiatives.

#### 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.
- Maintaining an overview of corporate risk.

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

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 FC Executive Board

The FC Executive Board 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;
  - HR 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 EB 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 FC;
  - working collaboratively to ensure that individual programmes enable the realisation of programme objectives *across the constituent parts of the FC* 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 FC Executive Board, including membership and attendance, is 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 Management 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. During the year we have put in place a new governance and leadership structure within Forest Enterprise England to develop further the strategic and operational capacity of the agency. As part of these changes the Forest Enterprise England Strategy Board replaced the Forest Enterprise Management Board from January 2015.

### Central Services Management Board

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 FC Executive Board and the Forestry Commissioners. It further provides advice and support to the Director Central Services in discharge of their duties as an EB 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

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 the organisation maintain their own risk register which is overseen by their respective ARACs.

Through its work the England Plus 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 four times during the year and discussed a wide range of issues including:

- risk management;
- Annual Report and Accounts 2013-14;
- Period 9 Accounts 2014-15;
- External and Internal Audit strategy and reports;
- Information Security;
- tree health and biosecurity;
- Procurement Regulations;
- Governance Statement;
- CAP-Delivery programme; and,
- review of committee's structure and effectiveness.

Further information on the England Plus 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.

The structures also ensure sharing of best practice and discussion of common issues between England and Scotland. The Chair of the England Plus ARAC also attends meetings of the other ARAC Chairs from across the Defra family.

The range of topics covered by all boards and committees have been highlighted under the individual sections above.

FC 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 England Plus Audit & Risk Assurance Committee has been assessed as being in line with requirements for public sector bodies as per Treasury guidance.

A review of the effectiveness of the Forestry Commissioners Board and National Committee was conducted during 2014-15. The review included seeking feedback from members on the structure and functioning of the board/committee and the responses received have been positive. Testing is being concluded and a moderate opinion anticipated. The FC Executive Board and FCE, FR and CS Management Boards will be reviewed in 2015-16 to ensure standards are maintained.

### 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).

## **4. 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.

## 5. Risk Management

The Risk Management Policy of Forestry Commission England and Central Services is fully committed to effective risk management, adopting best practice in the identification, evaluation and control of risks, in order to:

- integrate and embed risk management into the culture of Forestry Commission England and Central Services;
- eliminate or reduce risks to an acceptable level;
- anticipate and respond to changing social, environmental and legislative requirements;
- prevent injury and damage and reduce the cost of risk;
- raise awareness of the need for risk management; and,
- ensure that business continuity plans are in place and are effective.

Forestry Commission England and Central Services has identified the following principal areas of risk in achieving its aims and objectives:

**Economic** – this relates to those economic events which would affect management of the public and private forest estate and its impact on the wider economy. This includes opportunities or possible adverse effects arising from changes in timber markets and exchange rates.

**Reputational** – this relates to exposure to events which might undermine the level of confidence, held by organisations and the general public, in Government Ministers and the Forestry Commission England/Central Services and the consequences on effective delivery and relationships that might result from a loss of confidence.

**Environmental** – this relates to the exposure of the forest estate to climatic and ecological events. This includes implications for the targets of maintaining and enhancing the biodiversity, cultural value and landscape character of our estate, making a positive contribution to the environment, effective protection of the environment and prudent use of natural resources.

**Social** – this relates to events and developments with potential implications for the targets of contributing to the quality of life for a wide range of people by creating opportunities to enjoy trees, woods and forests and helping communities to benefit from woods and forests whilst recognising the needs of everyone.

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.

Further refinements of the organisation's risk registers were put into place during the year, including the addition of the cross border and shared services registers to the suite of registers reviewed by the Audit and Risk Assurance Committee.

Shared Services Business Continuity policy and plans were published in Autumn 2014.

## 6. Ministerial Direction

No ministerial directions were given during the year.

## 7. Significant Governance and Risk Issues

### Tree Health

Tree health and biosecurity remains a significant governance and risk issue for FC England/Central Services. As a consequence of increased levels of inspection at ports, a number of new pathways for pests have been identified. These involve the use of non-compliant dunnage associated with imports of steel. Procedures have been put in place to minimise future threats from these sources.

The FC plant health service is working closely with colleagues in other departments and administrations to ensure a joined up approach to biosecurity through mechanisms such as the biosecurity risk register and the UK Plant Health Strategy.

### Regulatory changes during the year

The Plant Health (Forestry) Order 2005 was last amended in 2014 only in respect to England and Scotland to bring in changes to Directive which included:

- The establishment of the UK as a protected zone for certain pests of sweet chestnut, plane and oak
- The addition of Bronze birch borer (*Agrilus anxius*) as a new pest
- New strengthened measures were introduced in respect of the Emerald ash borer (*Agrilus planipennis*) and the pinewood nematode (*Bursaphelenchus xylophilus*).

The Plant Health (Fees) (Forestry) Regulations 2006 have been amended twice in respect to England and Scotland:

- In 2014 to increase the fees to be charged relating to the documentary, identity and plant health checks of wood, wood products and isolated bark coming into England and Scotland from third countries.
- In 2015 to consolidate the legislation with the various amendments made and to remove the reduced frequency of checks which previously applied to wood of maple from Canada.

The Watermark Disease (Local Authorities) Order 1974 and Plant Health (Phytophthora kernovii Management Zone) (England) Order 2004 have been revoked.

The Forest Reproductive Materials Regulation has been updated. The amendments implement EU decisions on the equivalence of forest reproductive material produced in countries outside the European Union to apply in England and Scotland.

### Forestry Policy

In July 2012 The Independent Panel on Forestry Policy in England published its report on the future direction of forestry and woodland policy in England, and advised on the role of the Forestry Commission in implementing policy on forestry and woodland in relation to England.

The Government's response to the report was published in January 2013 within a policy statement on forestry and woodlands. The policy is based on the need to ensure resilience in our woodlands and businesses that depend on them. It reflects clear priorities focused on protecting, improving and expanding woodland assets.

The Woodland Policy Enabling Programme (WPEP) is a joint Defra/Forestry Commission change programme initiated to support the implementation of key elements of the Government's Forestry and Woodlands Policy Statement.

For FC England this means delivering a number of new policy commitments, including preparatory work for the establishment of a new public body to hold the public forest estate in trust for the nation. The creation of a separate body will only be possible with the passage of primary legislation and the timescale for legislation is outside the control of the Forestry Commissioners.

Ministers have decided that the key forestry functions of government – currently discharged by the Forest Services arm of FCE – will continue to be delivered by the Forestry Commission, with enhanced working arrangements between Defra and the Commission at all levels to strengthen integration between policy and delivery.

### Financial Environment

The decision to suspend woodland sales in February 2011, which was made permanent in the January 2013 policy statement had an immediate, and direct, impact on our baseline funding position. Additional budgetary cover has been made available for the period 2012-2015, and for 2015-16, following discussion of the financial implications with Defra.

However, the increasingly constrained financial environment across government continues to put significant pressure on FCE/CS, and places risks on the delivery of government forestry and woodlands policy statement commitments. These risks are subject to active discussion with Defra policy and finance teams.

### CAP Delivery Programme (CAP and RDPE IT delivery tool)

The 'CAP Delivery Programme' exists to provide the IT systems required to deliver the next CAP programme, including the woodland elements of Countryside Stewardship as part of the next Rural Development Programme for England. The CAP Delivery Programme Executive oversees the programme. During 2014/15 this was chaired by the CAP Delivery Programme's Deputy SRO and included the representatives of FC, NE, RPA, Defra and the Government Digital Service. The programme executive brings together the Deputy SRO, Programme team, CAP policy teams, Defra SIO and Commercial leads and Network Bodies. The Forestry Commission currently delivers c.£32m of rural development programme England (RDPE) grants annually on behalf of Defra. A move to a new single delivery system across all CAP delivery bodies within the Defra family will have a significant impact on Forest Services' operations, as will the integration of grant schemes and their delivery across the Defra network. Forestry Commission staff are fully and positively engaged on the programme.

There are a number of high level risks associated with the CAP Delivery Programme, including reputational and delivery risks should the single delivery system not meet customer expectations, and financial risk should we need to maintain and develop legacy systems to meet new RDPE requirements, and to support legacy claims. Finally, over a quarter of Forest Services staff are working to shape and deliver the Programme on top of their core roles, which is further stretching human resources.

Following issues with the online service for Rural Payments, Defra reviewed the approach to implementing Countryside Stewardship for 2015 to ensure consistency across Pillars 1 (basic payments scheme for farmers) and 2 (Rural Development Programme, including legacy forestry and countryside stewardship). We are therefore moving to a similar process to that agreed for Basic Payment Scheme claims with the introduction of a part-paper-based approach for Countryside Stewardship in 2015. As originally planned, Higher-Tier applications will be supported directly by NE and FC staff from July 2015 when the scheme will open as planned.

## 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-FC working group has been set up to work at pace to ensure full compliance, as soon as practicable, for the future. Notes 12 and 18 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.

There was one lapse of data security reported during 2014-15:

- A USB stick was lost in postal transit in January 2015. The stick was encrypted and contained no sensitive data.

## Modelling and Quality Assurance

A sensible and proportionate approach to quality assurance has been adopted across FC 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 FR.

## Business Continuity

The uncertainty generated by the expectation that central shared services will be devolved to countries has led to an increase in the loss of key staff which, together with difficulties encountered in recruiting talent, has increased the risk of disruption to business continuity.

## **8. Wider circumstances and future challenges**

The main challenges for FC England/Central Services from 2015-16 and beyond are:

- handling the continued and increasing biosecurity threat;

- delivering government forestry & woodlands policy statement commitments, and agreed performance targets, within an increasingly constrained financial environment, including continued progress towards targets for woodland improvement and creation;
- handling the impact and consequences to Forestry Commission England of the introduction of new grant schemes under the next rural development programme for England, its delivery through CAP-Delivery and the restructuring of how EU payments are administered across the Defra network;
- managing Woodland Policy Enabling Programme (WPEP) organisational change, including setting up the new Public Forest Estate Management Organisation (PFE MO), the future design of Forest Services and engaging with cross-border change, whilst maintaining business continuity and UKWAS certification;
- successfully resolving the various tax issues arising from HMRC compliance audits, and ensuring full compliance going forward;
- broadening and deepening our engagement with other Defra network bodies, such as with Natural England on the new Countryside Stewardship scheme;
- working with Defra on "One Business" initiatives where the Defra Network can co-operate more closely, including the development of Network Evidence Action Plans, and
- continuing to devolve Central Shared Services out from the centre to the countries in line with an agreed 'road map' for change, engaging with Defra Network Corporate Services as an integral part of the process.

In 2015-16 FC England/Central Services will remain focussed on managing these challenges either directly, or in partnership with other bodies across the Defra Network 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.

*I Gambles*

Additional Accounting Officer

4 June 2015

**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 2015 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 Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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 2015 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 part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Strategic Report, Directors' Report and Annex for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

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

**5 June 2015**

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE****for the year ended 31 March 2015**

	Note	Core			2014-15 Consolidated			Core	2013-14 Consolidated
		Staff Costs £000	Other Costs £000	Income £000	Staff Costs £000	Other Costs £000	Income £000	£000	£000
<b>Administration costs:</b>									
Staff costs	3	7,871			7,871			8,253	8,253
Other costs	4		5,409			5,409		7,857	7,857
Income	6			(4,502)			(4,502)	(5,160)	(5,160)
<b>Programme costs:</b>									
Staff costs	3	12,070			19,817			11,794	19,478
Other costs	5		25,918			30,400		37,413	42,261
Income	6			(16,001)			(21,102)	(16,128)	(21,259)
<b>Totals</b>		<b>19,941</b>	<b>31,327</b>	<b>(20,503)</b>	<b>27,688</b>	<b>35,809</b>	<b>(25,604)</b>	<b>44,029</b>	<b>51,430</b>
<b>Net operating cost</b>				<b>30,765</b>			<b>37,893</b>	<b>44,029</b>	<b>51,430</b>
<b>Other Comprehensive Net Expenditure</b>									
Net (gain) on revaluation of property plant and equipment			(38)			(540)		(32)	(137)
Net loss on revaluation of intangible assets			-			-		-	(1)
<b>Total other comprehensive (income) for the year</b>			<b>(38)</b>			<b>(540)</b>		<b>(32)</b>	<b>(138)</b>
<b>Total comprehensive net expenditure</b>			<b>30,727</b>			<b>37,353</b>		<b>43,997</b>	<b>51,292</b>

All income and expenditure are derived from continuing operations.

The notes on pages 53 to 82 form part of these accounts.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at 31 March 2015

	Note	31 March 2015		31 March 2014	
		Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Non-current assets</b>					
Property, plant and equipment	7	1,531	12,154	1,872	12,469
Intangible assets	8	1,029	1,071	1,761	1,805
Financial assets		-	25	-	25
Trade and other receivables	9	128	145	172	191
<b>Total non-current assets</b>		<b>2,688</b>	<b>13,395</b>	<b>3,805</b>	<b>14,490</b>
<b>Current assets</b>					
Inventories		142	144	133	135
Trade and other receivables	9	4,842	6,393	4,550	6,134
Cash and cash equivalents	10	7,590	7,726	1,938	2,193
<b>Total current assets</b>		<b>12,574</b>	<b>14,263</b>	<b>6,621</b>	<b>8,462</b>
<b>Total assets</b>		<b>15,262</b>	<b>27,658</b>	<b>10,426</b>	<b>22,952</b>
<b>Current liabilities</b>					
Trade and other payables	11	(11,937)	(13,343)	(6,649)	(8,814)
Provisions	12	(240)	(427)	(449)	(604)
<b>Total current liabilities</b>		<b>(12,177)</b>	<b>(13,770)</b>	<b>(7,098)</b>	<b>(9,418)</b>
<b>Non-current assets plus net current assets</b>		<b>3,085</b>	<b>13,888</b>	<b>3,328</b>	<b>13,534</b>
<b>Non-current liabilities</b>					
Trade and other payables	11	(545)	(545)	(617)	(617)
Provisions	12	(471)	(550)	(537)	(830)
<b>Total non-current liabilities</b>		<b>(1,016)</b>	<b>(1,095)</b>	<b>(1,154)</b>	<b>(1,447)</b>
<b>Assets less liabilities</b>		<b>2,069</b>	<b>12,793</b>	<b>2,174</b>	<b>12,087</b>
<b>Taxpayers' equity</b>					
General fund		1,557	5,120	1,621	4,857
Revaluation reserve		512	7,673	553	7,230
<b>Total taxpayers' equity</b>		<b>2,069</b>	<b>12,793</b>	<b>2,174</b>	<b>12,087</b>

*I. Gambles*

Additional Accounting Officer

4 June 2015

*The notes on pages 53 to 82 form part of these accounts.*

## CONSOLIDATED STATEMENT OF CASH FLOWS

### for the year ended 31 March 2015

		2014-15	2013-14
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating cost		(37,893)	(51,430)
Adjustments for non cash transactions	4/5	2,885	2,873
(Increase) / decrease in inventories		(9)	2
Decrease in trade and other receivables	9	(213)	2,222
Increase / (decrease) in trade and other payables	11	4,457	(11,111)
Movements in trade payables relating to Defra	11	(5,533)	5,513
Use of provisions	12	(1,172)	(671)
Non-cash inter-country transfers		-	(193)
<b>Net cash outflow from operating activities</b>		<b>(37,478)</b>	<b>(52,795)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(479)	(772)
Purchase of intangible assets	8	(55)	(48)
Proceeds of disposal of non-current assets		35	230
<b>Net cash outflow from investing activities</b>		<b>(499)</b>	<b>(590)</b>
<b>Cash flows from financing activities</b>			
Defra Funding		45,703	55,578
<b>Net financing</b>		<b>45,703</b>	<b>55,578</b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>7,726</b>	<b>2,193</b>
Payment of amount due to Defra		(2,193)	(7,706)
<b>Balance at 31 March 2015</b>		<b>5,533</b>	<b>(5,513)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>2,193</b>	<b>7,706</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>7,726</b>	<b>2,193</b>

The notes on pages 53 to 82 form part of these accounts.

**CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

for the year ended 31 March 2015

	Core			Consolidated			
		General Fund	Revaluation Reserve	Total	General Fund	Revaluation Reserve	Total
	Note	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 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>
<b>Changes in taxpayers' equity for 2014-15</b>							
Net operating cost for the year		(30,765)	-	(30,765)	(37,893)	-	(37,893)
Non-cash charges - auditors remuneration	4/5	48	-	48	83	-	83
Transfer from revaluation reserve		78	(78)	-	96	(96)	-
Internal charges adjustment		(7,181)	-	(7,181)	-	-	-
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 inter-country transfers		(2)	-	(2)	-	-	-
<b>Total recognised income and expense for 2014-15</b>		<b>(37,822)</b>	<b>(41)</b>	<b>(37,863)</b>	<b>(37,714)</b>	<b>443</b>	<b>(37,271)</b>
Funding received from Defra vote		45,484	-	45,484	45,703	-	45,703
Amounts issued from Defra vote but not spent at year end		(7,726)	-	(7,726)	(7,726)	-	(7,726)
<b>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>

	Note	Core			Consolidated		
		General Fund	Revaluation Reserve	Total	General Fund	Revaluation Reserve	Total
		£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2013</b>		<b>(339)</b>	<b>710</b>	<b>371</b>	<b>2,810</b>	<b>7,297</b>	<b>10,107</b>
<b>Changes in taxpayers' equity for 2013-14</b>							
Net operating cost for the year		(44,029)	-	(44,029)	(51,430)	-	(51,430)
Non-cash charges - auditors remuneration	4/5	50	-	50	79	-	79
Transfer of property, plant and equipment from/to other forestry bodies		(8)	8	-	(8)	8	-
Transfer from revaluation reserve		200	(200)	-	214	(214)	-
Internal charges adjustment		(7,718)	-	(7,718)	-	-	-
Net gain on revaluation of property, plant and equipment		-	32	32	-	137	137
Net gain on revaluation of intangible assets		-	-	-	-	(1)	(1)
Release of reserves to the SCE		-	3	3	-	3	3
Non-cash inter-country transfers		(292)	-	(292)	(193)	-	(193)
<b>Total recognised income and expense for 2013-14</b>		<b>(51,797)</b>	<b>(157)</b>	<b>(51,954)</b>	<b>(51,338)</b>	<b>(67)</b>	<b>(51,405)</b>
Amounts issued from Defra vote but not spent at year end		55,950	-	55,950	55,578	-	55,578
Funding received from Defra vote		(2,193)	-	(2,193)	(2,193)	-	(2,193)
<b>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>

The notes on pages 53 to 82 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 the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of 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.

#### 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 0% 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% 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 Smiths Gore.

### 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%.

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 17.

### **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 loan and receivable is 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 2015 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 13 Fair Value Measurement.

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, 13 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 2014-15.

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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.
- 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.

**NOTE 3 STAFF NUMBERS AND RELATED COSTS****3 (a) Employee benefit expense**

			2014-15	2013-14
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
<b>England/Central Services Core</b>				
Wages and salaries	14,937	-	14,937	14,765
Social security costs	1,188	-	1,188	1,188
Other pension costs	2,739	-	2,739	2,702
Agency staff	-	1,003	1,003	1,336
Inward secondments	74	-	74	56
<b>Total costs</b>	<b>18,938</b>	<b>1,003</b>	<b>19,941</b>	<b>20,047</b>
Less recoveries in respect of outward secondments	(192)	-	(192)	-
<b>Total net costs</b>	<b>18,746</b>	<b>1,003</b>	<b>19,749</b>	<b>20,047</b>
<b>Forest Research</b>				
Wages and salaries	5,472	659	6,131	6,073
Social security costs	442	43	485	481
Other pension costs	1,024	107	1,131	1,107
Agency staff	-	-	-	23
<b>Total net costs</b>	<b>6,938</b>	<b>809</b>	<b>7,747</b>	<b>7,684</b>
<b>Forestry Commission England/Central Services Consolidated Department</b>				
Total costs per SoCNE	25,876	1,812	27,688	27,731
Less recoveries in respect of outward secondments	(192)	-	(192)	-
<b>Total net costs</b>	<b>25,684</b>	<b>1,812</b>	<b>27,496</b>	<b>27,731</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) is an unfunded multi-employer defined benefit scheme 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. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/my-civil-service/pensions](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For 2014-15, employers' contributions of £3,651,000 were payable to the PCSPS (2013-14: £3,457,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, 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 2014-15 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 £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 pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,000 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or 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 individual retired early on ill health grounds (2013-14: £nil); the total additional accrued pension liabilities in the year amounted to nil (2013-14: £nil).



**3 (b) Average number of persons employed**

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

	<b>2014-15</b>		<b>2013-14</b>	
	<b>Permanently - employed staff number</b>	<b>Others number</b>	<b>Total number</b>	<b>Total number</b>
England/Central Services Core	398	59	457	452
Forest Research	157	28	185	183
<b>England/Central Services consolidated department total</b>	<b>555</b>	<b>87</b>	<b>642</b>	<b>635</b>
<b>Split by gender</b>				
<b>England/Central Services Core</b>				
Male	228	29	257	252
Female	170	30	200	200
<b>Forest Research</b>				
Male	102	13	115	116
Female	55	15	70	67
<b>England/Central Services consolidated department total</b>	<b>555</b>	<b>87</b>	<b>642</b>	<b>635</b>

**3 (c) Benefits in kind are provided under the following schemes:**

- Advances of salary for house purchase – available only for staff on relocation;
- Advances of salary for purchase of public transport and car park season tickets;
- Advances of salary for purchase of sports/health club membership;
- Advances of salary for purchase of IT and sports/health equipment, including bicycles; and
- Car provision for employee scheme.

Each scheme is subject to conditions and financial limits.

Forestry Commission England/Central Services had house purchase loans totaling £95,000 outstanding at 31 March 2015 relating to 11 employees (2013-14: £103,000 relating to 11 employees). The core department had house purchase loans totaling £76,000 outstanding at 31 March 2015 relating to 10 employees (2013-14: £82,000 relating to 10 employees). Such loans are unsecured, interest free and typically repayable over 10 years, with an optional 2 year deferral period.

**3 (d) Compensation for loss of office**

2 members of staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2015 (2013-14: 5). They received compensation payments of £100,140 (2013-14: £148,622).

No members of staff left under Compulsory Redundancy terms in the year to 31 March 2015 (2013-14: 1). No compensation was paid in 2014-15 (2013-14: £8,053).

<b>Exit package cost band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>
<£10,000	Nil - (2013-14: 1)	1 - (2013-14: nil)	1 - (2013-14: 1)
£10,000 - £25,000	Nil - (2013-14: nil)	Nil - (2013-14: 1)	Nil - (2013-14: 1)
£25,000 - £50,000	Nil - (2013-14: nil)	Nil - (2013-14: 4)	Nil - (2013-14: 4)
£50,000 - £100,000	Nil - (2013-14: nil)	1 - (2013-14: nil)	1 - (2013-14: nil)
£100,000- £150,000	Nil - (2013-14: nil)	Nil - (2013-14: nil)	Nil - (2013-14: nil)
£150,000- £200,000	Nil - (2013-14: nil)	Nil - (2013-14: nil)	Nil - (2013-14: nil)
£200,000- £250,000	Nil - (2013-14: nil)	Nil - (2013-14: nil)	Nil - (2013-14: nil)
<b>Total number of exit packages</b>	<b>Nil - (2013-14: 1)</b>	<b>2 - (2013-14: 5)</b>	<b>2 - (2013-14: 6)</b>

<b>Total resource cost / £</b>	<b>Nil</b> (2013-14: £8,053)	<b>£100,140</b> (2013-14: £148,622)	<b>£100,140</b> (2013-14: £156,675)
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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.

**NOTE 4 ADMINISTRATION COSTS**

	<b>Core</b>	<b>2014-15 Consolidated</b>	<b>Core</b>	<b>2013-14 Consolidated</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Staff transfers	75	75	238	238
Computer costs	102	102	62	62
Travel and subsistence	479	479	488	488
Accommodation	724	724	628	628
Communication	49	49	68	68
Training	98	98	81	81
Premature retirement costs	-	-	(42)	(42)
Losses and compensation	13	13	6	6
Legal expenses	60	60	30	30
Partnership and Publicity	2,633	2,633	4,971	4,971
Private Woodland Grants	596	596	579	579
Other	532	532	712	712
	<b><u>5,361</u></b>	<b><u>5,361</u></b>	<b><u>7,821</u></b>	<b><u>7,821</u></b>
<b>Non cash items</b>				
Notional audit fees - audit work	48	48	50	50
(Profit) on disposal of property, plant and equipment	-	-	(14)	(14)
	<b><u>48</u></b>	<b><u>48</u></b>	<b><u>36</u></b>	<b><u>36</u></b>
<b>Total</b>	<b><u>5,409</u></b>	<b><u>5,409</u></b>	<b><u>7,857</u></b>	<b><u>7,857</u></b>

**NOTE 5      PROGRAMME COSTS**

	<b>2014-15</b>		<b>2013-14</b>	
	<b>Core</b>	<b>Consolidated</b>	<b>Core</b>	<b>Consolidated</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Staff transfers	20	28	45	58
Computer costs	3,115	3,178	3,030	3,094
Travel and subsistence	666	1,204	679	1,196
Accommodation	1,125	2,100	534	1,826
Communication	1,280	1,317	1,286	1,331
Training	280	318	315	371
Premature retirement costs	34	34	43	52
Losses and compensation	7	(66)	2	(64)
Legal expenses	61	63	46	51
Partnership and Publicity	4,101	6,053	3,809	5,694
Funding to Forest Enterprise England	8,800	8,800	19,850	19,850
Other	1,372	1,600	2,154	2,436
	<b>20,861</b>	<b>24,629</b>	<b>31,793</b>	<b>35,895</b>
<b>Rentals under operating leases:</b>				
Hire of plant and machinery	116	116	92	92
Other operating leases	1,973	1,973	2,586	2,586
	<b>2,089</b>	<b>2,089</b>	<b>2,678</b>	<b>2,678</b>
<b>Research and development expenditure:</b>	845	845	851	851
<b>Non cash items</b>				
Notional audit fees - audit work	-	35	-	29
Depreciation of property, plant and equipment	571	1,254	598	1,234
Amortisation of intangible assets	780	789	1,252	1,264
Losses on disposal of property, plant and equipment	41	45	14	26
Revaluation reserve write off	(1)	(1)		
Provisions				
Provided in year	707	844	272	347
Provisions not required written back	-	(158)	(49)	(75)
Unwinding of discount	25	29	4	12
	<b>2,123</b>	<b>2,837</b>	<b>2,091</b>	<b>2,837</b>
<b>Total</b>	<b>25,918</b>	<b>30,400</b>	<b>37,413</b>	<b>42,261</b>

**NOTE 6 INCOME**

	<b>Core</b>	<b>2014-15</b>	<b>Core</b>	<b>2013-14</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>
<b>Administration Income</b>				
Project and partnership income	2,457	2,457	4,437	4,437
Other income	2,045	2,045	723	723
<b>Total</b>	<b>4,502</b>	<b>4,502</b>	<b>5,160</b>	<b>5,160</b>
<b>Programme Income</b>				
EU receipts	-	783	-	531
Other income	4,516	8,834	4,334	8,934
<b>Shared Services</b>				
Income from Scotland	6,731	6,731	6,892	6,892
Income from Forest Enterprise England	4,754	4,754	4,902	4,902
	<b>16,001</b>	<b>21,102</b>	<b>16,128</b>	<b>21,259</b>
<b>Total</b>	<b>20,503</b>	<b>25,604</b>	<b>21,288</b>	<b>26,419</b>

On consolidation, the internal income received by Central Shared Services from Cross Border functions £1,754,000 (2013-14: £3,659,000), Forestry Commission England £1,527,000 (2013-14: £1,787,000) and Forest Research £705,000 (2013-14: £720,000) was removed from programme income.

**NOTE 7 PROPERTY, PLANT AND EQUIPMENT**

	<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
Impairment	-	-	-	-	-	-
<b>At 31 March 2015</b>	<b>1,934</b>	<b>14,431</b>	<b>4,378</b>	<b>1,354</b>	<b>-</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
<b>At 31 March 2015</b>	<b>-</b>	<b>6,933</b>	<b>2,185</b>	<b>825</b>	<b>-</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>-</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>-</b>	<b>12,154</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 2011. Professionally qualified staff employed by the Forestry Commission undertook the valuation which was approved by Jeffrey Livingston, CEng, Head of Mechanical Engineering Services. 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 assets were restated to a current value of £528,000 as at 31 March 2015 using an index provided by the ONS.

Depreciation expense of £1,254,000 (2013-14: £1,234,000) has been charged in other programme costs in the Consolidated Statement of Comprehensive Net Expenditure.

	Land	Buildings	Plant & Machinery	OME	AUC	Total
	£000	£000	£000	£000	£000	£000
<b>Valuation :</b>						
At 1 April 2013	1,861	13,652	4,160	2,357	-	22,030
Additions	-	-	609	60	103	772
Disposals	-	(308)	(608)	(365)	-	(1,281)
Revaluations	52	153	108	(64)	-	249
Impairment	-	-	-	-	-	-
At 31 March 2014	<b>1,913</b>	<b>13,497</b>	<b>4,269</b>	<b>1,988</b>	<b>103</b>	<b>21,770</b>
<b>Depreciation :</b>						
At 1 April 2013	-	5,749	2,114	1,131	-	8,994
Charged in year	-	375	439	420	-	1,234
Disposals	-	(88)	(590)	(361)	-	(1,039)
Revaluations	-	115	20	(23)	-	112
At 31 March 2014	<b>-</b>	<b>6,151</b>	<b>1,983</b>	<b>1,167</b>	<b>-</b>	<b>9,301</b>
<b>Net Book Value :</b>						
<b>At 31 March 2014</b>	<b>1,913</b>	<b>7,346</b>	<b>2,286</b>	<b>821</b>	<b>103</b>	<b>12,469</b>
At 31 March 2013	1,861	7,903	2,046	1,226	-	13,036
<b>Asset Financing :</b>						
Owned	1,913	7,346	1,747	821	103	11,930
Finance leased	-	-	539	-	-	539
<b>Net Book Value at 31 March 2014</b>	<b>1,913</b>	<b>7,346</b>	<b>2,286</b>	<b>821</b>	<b>103</b>	<b>12,469</b>

Analysis of property, plant and equipment:

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

	Land	Buildings	Plant & Machinery	OME	AUC	Total
	£000	£000	£000	£000	£000	£000
<b>Core at 31 March 2015</b>	-	411	591	529	-	1,531
<b>Agency at 31 March 2015</b>	<b>1,934</b>	<b>7,087</b>	<b>1,602</b>	-	-	<b>10,623</b>
Core at 31 March 2014	-	436	615	821	-	1,872
Agency at 31 March 2014	1,913	6,910	1,671	-	103	10,597

**NOTE 8 INTANGIBLE ASSETS**

				<b>2014-15</b>
	<b>Software Licenses</b>	<b>Information Technology</b>	<b>Development Expenditure</b>	<b>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)
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
				<b>2013-14</b>
	<b>Software Licenses</b>	<b>Information Technology</b>	<b>Development Expenditure</b>	<b>Total</b>
	£000	£000	£000	£000
<b>Cost or valuation:</b>				
At 1 April 2013	1,904	10,784	42	12,730
Additions	17	31	-	48
Disposals	(16)	-	-	(16)
Revaluation to current prices	(3)	-	-	(3)
<b>At 31 March 2014</b>	<b>1,902</b>	<b>10,815</b>	<b>42</b>	<b>12,759</b>
<b>Amortisation:</b>				
At 1 April 2013	1,446	8,262	-	9,708
Provided during year	107	1,157	-	1,264
Disposals	(16)	-	-	(16)
Transfers	146	(146)	-	-
Revaluation to current prices	(2)	-	-	(2)
<b>At 31 March 2014</b>	<b>1,681</b>	<b>9,273</b>	<b>-</b>	<b>10,954</b>
<b>Net Book Value :</b>				
<b>At 31 March 2014</b>	<b>221</b>	<b>1,542</b>	<b>42</b>	<b>1,805</b>
At 31 March 2013	458	2,522	42	3,022



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 2015</b>	<b>114</b>	<b>873</b>	<b>42</b>	<b>1,029</b>
<b>Agency at 31 March 2015</b>	<b>42</b>	<b>-</b>	<b>-</b>	<b>42</b>
Core at 31 March 2014	177	1,542	42	1,761
Agency at 31 March 2014	44	-	-	44

Amortisation of £789,000 (2013-14: £1,264,000) 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 2015 is £560,000 and is being amortised over 2 more years.

**NOTE 9 TRADE AND OTHER RECEIVABLES****9(a) Analysis by type**

	<b>Core</b>	<b>31 March 2015 Consolidated</b>	<b>Core</b>	<b>31 March 2014 Consolidated</b>
	£000	£000	£000	£000
<b>Current</b>				
Trade receivables	2,648	3,365	2,329	3,288
Less: provision for impairment of trade receivables	(13)	(13)	(6)	(6)
Trade receivables - net	<u>2,635</u>	<u>3,352</u>	<u>2,323</u>	<u>3,282</u>
VAT	-	3	379	382
Other receivables	48	50	40	40
House purchase loans to employees	16	18	14	16
Prepayments and accrued income	2,143	2,970	1,794	2,414
<b>Total current receivables</b>	<u><b>4,842</b></u>	<u><b>6,393</b></u>	<u><b>4,550</b></u>	<u><b>6,134</b></u>
<b>Non-current</b>				
House purchase loans to employees	60	77	68	87
Prepayments and other accrued income	49	49	81	81
Other Receivables	19	19	23	23
<b>Total non-current receivables</b>	<u><b>128</b></u>	<u><b>145</b></u>	<u><b>172</b></u>	<u><b>191</b></u>
<b>Total receivables</b>	<u><b>4,970</b></u>	<u><b>6,538</b></u>	<u><b>4,722</b></u>	<u><b>6,325</b></u>

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

Trade receivables of £675,000 (2013-14: £631,000) were past due but not impaired as of 31 March 2015. These relate to a number of customers for whom there is no recent history of default.

From 2014-15, VAT receivables are included within the relevant entities receivables balance, as opposed to nominally allocating through non cash transfers from FC Central Services via the General Fund.

### 9(b) Intra-government balances

	Current		Non-current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000	£000	£000	£000
Balances with other central government bodies	1,912	2,212	-	-
Balances with local authorities	744	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
<b>Intra-government balances</b>	<b>2,656</b>	<b>2,212</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	3,737	3,922	145	191
<b>Total receivables at 31 March</b>	<b>6,393</b>	<b>6,134</b>	<b>145</b>	<b>191</b>

## NOTE 10 CASH AND CASH EQUIVALENTS

	31 March 2015		31 March 2014	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>1,938</b>	<b>2,193</b>	<b>7,447</b>	<b>7,706</b>
Net change in cash and cash equivalent balances	5,652	5,533	(5,509)	(5,513)
<b>Balance at 31 March</b>	<b>7,590</b>	<b>7,726</b>	<b>1,938</b>	<b>2,193</b>

	31 March 2015		31 March 2014	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
<b>The following balances are held at:</b>				
Balance with the Government Banking Service	7,590	7,590	1,938	1,938
Cash at commercial banks and cash in hand	-	136	-	255
<b>Total</b>	<b>7,590</b>	<b>7,726</b>	<b>1,938</b>	<b>2,193</b>

### The balance at 31 March comprises:

	31 March 2015	31 March 2014
	£000	£000
Amounts issued from the consolidated fund for supply but not spent at the year end	7,590	2,193

**NOTE 11 TRADE AND OTHER PAYABLES****11(a) Analysis by type**

	<b>Core</b>	<b>31 March 2015 Consolidated</b>	<b>Core</b>	<b>31 March 2014 Consolidated</b>
	£000	£000	£000	£000
<b>Current</b>				
Other taxation and social security	176	247	194	277
Trade payables	936	1,142	2,311	2,782
VAT	354	354		
Other payables	1	1	(8)	(8)
Accruals and deferred income	2,622	3,178	1,790	2,470
Current part of finance leases	103	103	125	125
Payments received on account	19	592	44	975
Amounts issued from Defra vote but not spent at year end	7,726	7,726	2,193	2,193
<b>Total current</b>	<b>11,937</b>	<b>13,343</b>	<b>6,649</b>	<b>8,814</b>
<b>Non current</b>				
Finance leases	207	207	260	260
Payments received on account	338	338	357	357
Deferred income	-	-	-	-
<b>Total non current</b>	<b>545</b>	<b>545</b>	<b>617</b>	<b>617</b>
<b>Total payables</b>	<b>12,482</b>	<b>13,888</b>	<b>7,266</b>	<b>9,431</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:

	<b>31 March 2015</b>	<b>31 March 2014</b>
	£000	£000
GBP Sterling	13,653	8,694
Euro	235	737
	<b>13,888</b>	<b>9,431</b>

**11(b) Intra-government balances**

	Current		Non-current	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	£000	£000	£000	£000
Balances with other central government bodies	157	24	-	-
Balances with local authorities	285	12	-	-
Balances with public corporations and trading funds	-	2	-	-
<b>Intra-government balances</b>	<b>442</b>	<b>38</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	12,901	8,776	545	617
<b>Total payables at 31 March</b>	<b>13,343</b>	<b>8,814</b>	<b>545</b>	<b>617</b>

**NOTE 12 PROVISIONS FOR LIABILITIES AND CHARGES**

	Core			Consolidated		
	Early departure costs	Other Provisions	Total	Early departure costs	Other Provisions	Total
	£000	£000	£000	£000	£000	£000
<b>At 1 April 2013</b>	<b>1,321</b>	-	<b>1,321</b>	<b>1,824</b>	-	<b>1,824</b>
Provided in year	271	-	271	279	67	346
Provisions not required written back	(49)	-	(49)	(75)	-	(75)
Utilised in the year	(560)	-	(560)	(671)	-	(671)
Unwinding of discount	3	-	3	10	-	10
<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 the year	(460)	(547)	(1,007)	(551)	(621)	(1,172)
Unwinding of discount	25	-	25	29	-	29
<b>At 31 March 2015</b>	<b>711</b>	-	<b>711</b>	<b>899</b>	<b>78</b>	<b>977</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	240	-	240	349	78	427
Later than one year and not later than five years	471	-	471	550	-	550
<b>At 31 March 2015</b>	<b>711</b>	-	<b>711</b>	<b>899</b>	<b>78</b>	<b>977</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.

### 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. All liabilities identified by HMRC were subsequently settled by 31 March 2015. The values are included within Other Provisions and amounted to £621,000 for 2014-15. The HMRC audit is continuing into 2015-16 and an unquantifiable contingent liability is disclosed within note 18 to recognise the possibility of future non-compliance liabilities arising from the audit.

## NOTE 13 FINANCIAL INSTRUMENTS

### 13(a) Financial Instruments by category

	31 March 2015			31 March 2014		
	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	3,565	-	3,565	3,529	-	3,529
Cash and cash equivalents	7,726	-	7,726	2,193	-	2,193
<b>Total</b>	<b>11,291</b>	<b>25</b>	<b>11,316</b>	<b>5,722</b>	<b>25</b>	<b>5,747</b>

	31 March 2015		31 March 2014	
	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	310	310	385	385
Trade and other payables excluding statutory liabilities	4,924	4,924	6,071	6,071
<b>Total</b>	<b>5,234</b>	<b>5,234</b>	<b>6,456</b>	<b>6,456</b>

### 13(b) Exposure to risk

The Forestry Commission's activities expose it to a variety of financial risks.

Credit risk: the possibility that other parties might fail to pay amounts due;

Liquidity risk: the possibility that Forestry Commission England/Central Services might not have funds available to meet its commitments to make payments; and

Market risk: the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Due to the largely non-trading nature of its activities and the way in which government departments are financed, Forestry Commission England/Central Services is not exposed to the degree of financial risk faced by business entities.

#### i) Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Forestry Commission England/Central Services' exposure to credit risk is limited to the risk on non-payment by customers, as minimal deposits are held with commercial banks.

Customers are assessed, taking into account their financial position, past experience and other factors with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Forestry Commission England/Central Services. The utilisation of credit limits is regularly monitored.

#### ii) Liquidity risk

Each financial year, the Westminster Parliament makes provision for the use of resources by Forestry Commission England/Central Services for revenue and capital purposes in a Finance Act. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Finance Act. The Act also specifies an overall cash authorisation to operate for the financial year. Forestry Commission England/Central Services is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>
	£000	£000
<b>At 31 March 2015</b>		
Finance lease liabilities	118	217
Trade and other payables excluding statutory liabilities	4,924	-
<b>Total</b>	<b>5,042</b>	<b>217</b>

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>
	£000	£000
<b>At 31 March 2014</b>		
Finance lease liabilities	144	272
Trade and other payables excluding statutory liabilities	6,071	-
<b>Total</b>	<b>6,215</b>	<b>272</b>

### iii) Market risk

Forestry Commission England/Central Services has no powers to borrow or invest surplus funds. Financial assets and liabilities are generally generated by day-to-day operational activities and are not held to manage the risks facing Forestry Commission England/Central Services in undertaking its activities. However, under the Regulatory Reform (Forestry) Order 2006, with Treasury approval, Forestry Commission England/Central Services may form or participate in the forming of, a body corporate, invest in a body corporate and provide loans. Forestry Commission England/Central Services may also exploit any intellectual property arising from research.

#### (1) Cash flow and fair value interest rate risk

Forestry Commission England/Central Services has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates.

#### (2) Foreign Currency Risk

The Forest Research Agency is exposed to foreign exchange rates through a bank account denominated in Euros and through contracts which are denominated in Euros. However, contract income denominated in Euros forms only 4% of the Agency's total income. Therefore, fluctuations in exchange rates do not have a significant impact on financial position.

### 13(c) Capital risk management

Forestry Commission England/Central Services' objectives when managing its capital structure are to maintain its ability to continue to provide benefits for stakeholders and to maintain an optimal capital structure to safeguard Taxpayers' Equity.

### 13(d) Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

**NOTE 14 SEGMENTAL INFORMATION**

Management has determined that Forestry Commission England/Central Services operates as one operating segment, with results reviewed by the chief operating decision maker for Forestry Commission England/Central Services as a whole.

**NOTE 15 CAPITAL COMMITMENTS**

There were no contracted capital commitments at 31 March 2015 (2013-14: £152,000).

**NOTE 16 COMMITMENTS UNDER LEASES****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 2015		31 March 2014	
	Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Obligations under operating leases for the following periods comprise:</b>				
<b>Land</b>				
Not later than one year	-	2	-	2
Later than one year and not later than five years	-	3	-	5
<b>Total</b>	-	<b>5</b>	-	<b>7</b>
<b>Buildings</b>				
Not later than one year	2,356	2,363	2,355	2,355
Later than one year and not later than five years	9,178	9,204	9,177	9,177
More than five years	8,078	8,078	11,369	11,369
<b>Total</b>	<b>19,612</b>	<b>19,645</b>	<b>22,901</b>	<b>22,901</b>
<b>Other leases</b>				
Not later than one year	51	51	45	50
Later than one year and not later than five years	19	19	38	38
<b>Total</b>	<b>70</b>	<b>70</b>	<b>83</b>	<b>88</b>

Building lease rentals include irrecoverable VAT.



## Finance Leases

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

	31 March 2015		31 March 2014	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
<b>Obligations under finance leases for the following periods comprise:</b>				
<b>Plant and Machinery</b>				
Not later than one year	118	118	144	144
Later than one year and not later than five years	217	217	272	272
	<u>335</u>	<u>335</u>	<u>416</u>	<u>416</u>
Less: interest element	(25)	(25)	(32)	(32)
<b>Present value of obligations</b>	<u><b>310</b></u>	<u><b>310</b></u>	<u><b>384</b></u>	<u><b>384</b></u>

## NOTE 17 OTHER FINANCIAL COMMITMENTS

### Existing woodlands

Forestry Commission England was committed under draft and signed contracts to the payment of future installments of grants which support existing woodlands amounting to £1,166,000 at 31 March 2015 (2013-14: £1,663,000). All commitments relate to the Core department.

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

	2014-15	2013-14
	Consolidated	Consolidated
	£000	£000
Not later than one year	479	538
Later than one year and not later than five years	687	1,125
	<u><b>1,166</b></u>	<u><b>1,663</b></u>

## NOTE 18 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 2015.

The HMRC audit is continuing into 2015-16 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 19 OPERATING LEASE RECEIVABLES**

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

	<b>31 March 2015</b>		<b>31 March 2014</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>
Not later than one year	1,029	1,029	1,014	1,014
Later than one year and not later than five years	4,118	4,118	4,056	4,056
More than five years	1,960	1,960	2,415	2,415
	<b>7,107</b>	<b>7,107</b>	<b>7,485</b>	<b>7,485</b>

The Forestry Commission sub-leased parts of two buildings to three 3rd parties under agreements which will terminate in October 2020 and August 2022.

**NOTE 20 LOSSES AND SPECIAL PAYMENTS**

	<b>2014-15</b>		<b>2013-14</b>	
	<b>Number</b>	<b>£000</b>	<b>Number</b>	<b>£000</b>
Losses total	10	57	5	3
Special Payments total	6	7	5	2
	<b>16</b>	<b>64</b>	<b>10</b>	<b>5</b>

**NOTE 21 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 £8,800,000 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, UK Co-ordinating Body, 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 2015, Forest Enterprise England entered into material transactions involving Hamish Macleod, a non-executive Forestry Commissioner, which are disclosed in their Annual Report and Accounts for 2014-15.

The following additional transactions were carried out with related parties:

**21(a) Purchases of goods and services**

	<u>2014-15</u>	<u>2013-14</u>
	£000	£000
University of Southampton	86	-
	<u>86</u>	<u>-</u>

The above transactions, for course fees, student stipend, samples and amendments to an existing database, production of a new database, occurred on an arm's length basis. These transactions are disclosed as Peter Freer-Smith holds a visiting professorship at the University of Southampton. The outstanding balance at 31 March 2015 was nil (2013-14: £0).

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

	<u>2014-15</u>	<u>2013-14</u>
	£000	£000
C-Cure Solutions Ltd	20	11
	<u>20</u>	<u>11</u>

The above value related to income received from the investment in C-Cure Solutions Ltd. James Pendlebury is the Forest Research Agency Director of the company. The balance outstanding as at 31 March 2015 amounted to £58 (2013-14: £2,186).

**21(c) Other**

	<u>2014-15</u>	<u>2013-14</u>
	£000	£000
Farm Woodland Premium Scheme (FWPS) grant		13
Scottish Forestry Scheme (SFS) grant	32	4
Woodland Improvement Grant	10	-
Outstanding rental paid by Forestry Commission Scotland	1	-
Payment to Forestry Commission Scotland.	(760)	-
Daughter employee salary package	-	29
	<u>(717)</u>	<u>46</u>

Sir Harry Studholme, Chair and Commissioner for Forestry Commission England, received a Farm Woodland Premium Scheme grant of £31,800 during the year (2013-14: £13,000). There were no further payments due as at 31 March 2015.

Clive Tucker, a Non Executive Committee member received a Woodland Improvement Grant of £9,600 during the year. An additional payment was outstanding at 31 March 2015 of £360, which was paid on 2 April 2015.

The partner of Amanda Bryan, a member of the Great Britain Executive Board was involved in a receipt of a Community Grant for Aigas community forest in 2013-14 for £4,200. No grant was received in 2014-15. In 2014-15, the partner was involved in other transactions in relation to Aigas community forest. An amount of £1,000 for an outstanding rental was received, and an amount of £760,000 was paid to Forestry Commission Scotland under the National Forest Land Scheme.

During 2013-14, the daughter of a member of the Great Britain Executive Board, received salary payments of 2013-14: £29,000. There were no outstanding balances at 31 March 2014. The Great Britain Executive member played no role on the appointment, management or setting the remuneration of their daughter.

**21(d) 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 22    EVENTS AFTER 31 March 2015**

In accordance with the requirements of IAS 10, events after 31 March 2015 are considered up to the date on which the accounts are authorised for issue. The authorised for issue date is the date of the C&AG's audit certificate.

**Annex: Sustainability Report**

**ANNEX1: SUSTAINABILITY REPORT****Introduction**

Forestry Commission England / Central Services carries out sustainability reporting in line with the Greening Government Commitments 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. Sustainable forest management is achieved through conformance to the United Kingdom Forestry Standard (UKFS) and is independently certified under the United Kingdom Woodland Assurance Standard (UKWAS) under the Forestry Stewardship Council's (FSC) internationally recognised criteria for sustainable forest management by accredited UKWAS certification assessors. Hence all activity of the organisation's sustainable business is measured and managed.

**Summary of Performance based on data input to FAS Business Sustainability database. Actual data input from cost centers.**

Performance Measurement (KPIs)		2012-13	2013-14	2014-15
<b>Business Travel</b>	Total miles	1,720,850	1,557,917	1,589,366
	tonnes CO <sub>2</sub> e↑	309	275	276
	<b>Expenditure (£)</b>	<b>578,608</b>	<b>516,844</b>	<b>526,528</b>
<b>Electricity, Gas and other heating fuels</b>	Consumption (KwH)	273,678	290,971	250,063
	<b>Expenditure (£)</b>	<b>60,209</b>	<b>55,818</b>	<b>27,507</b>
	tonnes CO <sub>2</sub> e↑	102	94	47
	% Renewable	N/A	N/A	N/A
<b>(Renewable energy of the estate is recorded in the FEE Sustainability annex)</b>				
<b>Total Energy (Scopes 1, 2 &amp; 3) Estate and Travel</b>	tonnes CO <sub>2</sub> e↑	411	369	323
	<b>Expenditure (£)</b>	<b>638,817</b>	<b>572,662</b>	<b>554,035</b>
<b>Sewerage/Waste water 5% Allocation</b>	<b>Expenditure (£)</b>	<b>1,837</b>	<b>2,418</b>	<b>1,333</b>
<b>Estate and office Waste 2% Allocation</b>	Amount (Tonnes/m <sup>3</sup> )	37	49	43
	<b>Expenditure (£)</b>	<b>6,947</b>	<b>2,087</b>	<b>3658</b>
<b>Estate and Office Water 5% Allocation</b>	Quantity (m <sup>3</sup> )	3,707	1,889	3288
	<b>Expenditure (£)</b>	<b>5,932</b>	<b>3,023</b>	<b>2298</b>
1, F-Gas emissions (Air conditioning etc) have been attributed to FEE (Shared Buildings) 2.Waste water calculated at 5% of Total for FEE CCs (Shared Buildings) 3. Water use Calculated at 5% of Total for FEE CCs. (Shared Buildings) 4 Energy is Calculated for 2012-13 and 13-14 at 5% of total for FEE CCs(Shared Buildings) 5 Waste calculated at 2% of total for FEE CCs (Shared Buildings) Compiled from available data input into FAS Database 23/04/15				

**Overview:**

The Forestry Commission works with others to enable sustainable forest and land management and to manage its own environmental impacts. Focus is on:

- Continuing certification to BS EN ISO 14001-2004 for all of FC England
- Reducing energy needs from fossil fuel-derived sources and supporting sustainable wood fuel.
- Co-operating with others to reduce their environmental impacts
- Overseeing and advising on the Woodland carbon code.
- Administering grants and delivering support, enabling an increase in sustainably managed forests providing quality public benefits from natural capital.
- Report sustainable timber use in accordance with policy commitments.

**Summary of Future Strategy**

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. 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 Performance Indicator details to guide local agreement and decision making, prioritising according to business risk and resource allocation. Early next year an energy audit will be carried out to clearly determine where energy is being used. 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. Continued cooperation with Forest Enterprise England will help us jointly meet our sustainability performance targets.

**During 2014-15 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.
- Continue to meet its regulatory role on plant health, bio-security and other roles.

**GHG Emissions**

Forestry Commission England will continue to co-operate with others where buildings are shared to enable then to report on Greenhouse Gas emissions as required by government and regulatory requirements.

**Waste**

Forestry Commission England will continue to co-operate with others where buildings are shared to enable then to report on Waste Management requirements as required by government and regulatory requirements.

**Use of Resources**

Forestry Commission England will continue to take into account and comply with the government's sustainable procurement guidelines

**Climate Change Adaptation and Mitigation**

Forestry Commission England will continue to support government initiatives and objectives in relation to climate change in as far as they apply to our activities.

**Biodiversity and Natural Environment**

Forestry Commission England will continue to work with others to promote the best protection and use of the Natural capital.

**Sustainable Procurement including Food**

Forestry Commission England will continue to support the government's sustainable procurement guidelines and cooperate with others to meet these guidelines.

**Sustainable Construction**

FCE will continue its aim to meet BREEM construction standards and cooperate with landlords in their endeavors 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. The achievement and maintenance of certification standards represents a significant effort on the part of staff and the investment in time and effort represents an improvement in the way we work, maintaining strong public support by demonstrating our care of the environment across all our activities. The focus for the coming year is to make sustainable business "business as usual" driving further performance improvement in a challenging operating environment. 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 has, during the year, been fully devolved from Central Services support and moved towards being managed by Forest Enterprise, the final step being taken at the end of the year when full responsibility for the Business Sustainability delivery team was placed into Forest Enterprise England. The England National Committee considered the business sustainability programme at their October 2014 meeting and endorsed the plan to embed business sustainability into Forest Enterprise as the England lead following the ending of support from central services.



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